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33-44862-04

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

1992 FORM 10-K 405

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1991

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to .

S.E.C. MAR 3 1 1993 020

Commission File Number 33-44862

ISP CHEMICALS INC.

Delaware (State of Incorporation)	**13-3416260** (I.R.S. Employer Identification No.)
Rt. 95 Industrial Area, P.O. Box 37 Calvert City, Kentucky (Address of Principal Executive Offices)	**42029** (Zip Code)

Registrant's telephone number, including area code: (502) 395-4165
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

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DISCLOSURE INCORPORATED

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Commission File Number 33-44862-01

ISP TECHNOLOGIES INC.

Delaware (State of Incorporation)	**51-0333795** (I.R.S. Employer Identification No.)
State Highway 146 & Industrial Road Texas City, Texas (Address of Principal Executive Offices)	**77590** (Zip Code)

Registrant's telephone number, including area code: (409) 945-3411
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Commission File Number 33-44862-02

INTERNATIONAL SPECIALTY PRODUCTS INC.

Delaware (State of Incorporation)	**51-0333696** (I.R.S. Employer Identification No.)
818 Washington Street Wilmington, Delaware (Address of Principal Executive Offices)	**19801** (Zip Code)

Registrant's telephone number, including area code: (302) 429-8554
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

TOTAL OF SEQUENTIALLY NUMBERED PAGES: 170 *(Continued on following page.)*

EXHIBIT INDEX ON SEQUENTIALLY NUMBERED PAGE 19

(Continued from previous page.)

See Table of Additional Registrants Below

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best knowledge of International Specialty Products Inc., in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of March 10, 1993, ISP Chemicals Inc. and ISP Technologies Inc. each had 10 shares of common stock outstanding. No shares are held by non-affiliates.

As of March 10, 1993, 99,888,646 shares of common stock of International Specialty Products Inc, were outstanding. The aggregate market value of the voting stock held by non-affiliates of International Specialty Products Inc. as of March 10, 1993 was $120,945,131. The aggregate market value was computed by reference to the closing price on the New York Stock Exchange of International Specialty Products Inc.'s Common Stock on such date ($6.25). For purposes of this computation, voting stock held by officers and directors of all of the registrants and GAF Chemicals Corporation, an affiliate of International Specialty Products Inc., has been excluded. Such exclusion is not intended, and shall not be deemed, to be an admission that such officers and directors are affiliates of International Specialty Products Inc.

As of March 15, 1993, each of the additional registrants had the number of shares outstanding which is shown on the table below. No shares are held by non-affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

1. The Annual Report to Stockholders of International Specialty Products Inc. for the year ended December 31, 1992 is incorporated by reference in Part I, Item 1, and in Part II, Items 5, 6, 7 and 8.

2. The Proxy Statement for the 1993 Annual Meeting of Stockholders of International Specialty Products Inc. to be filed within 120 days after the Registrants' fiscal year end (the "Proxy Statement") is incorporated by reference in Part III, Items 10, 11, and 13.

ADDITIONAL REGISTRANTS

Exact name of registrant as specified in its Charter	State or other jurisdiction of incorporation or organization	No. of Shares Outstanding	I.R.S. Employer Identification No.	Address, including zip code, and telephone number, including area code, of registrant's principal executive office
ISP (PUERTO RICO) INC.	Delaware	10	13-2626732	Suite 206B Iturregui Plaza 65th Infanteria Ave. Rio Piedras, Puerto Rico 00924 (809) 768-5400
ISP ENVIRONMENTAL SERVICES INC.	Delaware	10	51-0333801	1361 Alps Road Wayne, NJ 07470 (201) 628-3000
ISP FILTERS INC.	Delaware	10	51-0333796	4436 Malone Road Memphis, TN 38118 (901) 795-2445
ISP GLOBAL TECHNOLOGIES INC.	Delaware	10	51-0333802	818 Washington Street Wilmington, DE 19801 (302) 429-7492
ISP INTERNATIONAL CORP.	Delaware	10	51-0333734	818 Washington Street Wilmington, DE 19801 (302) 429-7493
ISP INVESTMENTS INC.	Delaware	10	51-0333803	818 Washington Street Wilmington, DE 19801 (302) 429-7496
ISP MANAGEMENT COMPANY, INC.	Delaware	10	51-0333800	1361 Alps Road Wayne, NJ 07470 (201) 628-3000
ISP MINERAL PRODUCTS INC.	Delaware	10	51-0333794	34 Charles Street Hagerstown, MD 21740 (301) 733-4000
ISP MINERALS INC.	Delaware	10	51-0333798	Route 116 Blue Ridge Summit, PA 17214 (717) 794-2184
ISP REAL ESTATE COMPANY, INC.	Delaware	2	22-2886551	1361 Alps Road Wayne, NJ 07470 (201) 628-3000
ISP REALTY CORPORATION	Delaware	1000	13-2720081	1361 Alps Road Wayne, NJ 07470 (201) 628-3000
VERONA INC.	Delaware	100	22-3036319	NCNB Plaza, Suite 300 7 North Laurens Street Greenville, SC 29601 (803) 271-9194
15) BLUEHALL INCORPORATED	Delaware	1	13-3335905	818 Washington Street Wilmington, DE 19801 (302) 651-0165

PART I

Item 1.

General

International Specialty Products Inc. (the "Company") is a leading multinational manufacturer of specialty chemical products, including specialty derivative chemicals, mineral products, filter products, and advanced materials.

The Company, incorporated in Delaware in 1991, operates its business exclusively through 17 domestic subsidiaries consisting of ISP Chemicals Inc. ("ISP Chemicals"), ISP Technologies Inc. ("ISP Technologies"), the additional registrants, ISP Van Dyk Inc. and ISP Fine Chemicals Inc., 24 international subsidiaries and a joint venture with Hüls Aktiengesellschaft, a German corporation ("Hüls"), in which the Company has a 50% interest and which operates under the name GAF-Hüls Chemie GmbH ("GAF-Hüls"). The Company acquired these subsidiaries and its interest in GAF-Hüls from an affiliate, GAF Chemicals Corporation ("GCC") in May 1991 in a stock acquisition (the "Stock Acquisition") or created such subsidiaries after the Stock Acquisition. All historical financial data relating to the Company contained in or incorporated by reference in this report have been prepared to reflect the formation of the Company, the Stock Acquisition and the allocation of certain expenses. See Note 1 of Notes to Consolidated Financial Statements of the Company contained in the Company's Annual Report to Stockholders for the year ended December 31, 1992 (the "Annual Report"). In July 1991, the Company completed an initial public offering of 19,388,646 shares or 19.4% of its common stock (the "Initial Public Offering"). Subsequent to the Initial Public Offering, the Company has been an 80.6%-owned subsidiary of GCC. GCC is a wholly-owned subsidiary of G Industries Corp. ("G Industries"). G Industries is a holding company which also owns directly 100% of the capital stock of two operating subsidiaries, GAF Building Materials Corporation ("Building Materials") and GAF Broadcasting Company Inc. ("Broadcasting"). G Industries is a wholly-owned subsidiary of G-I Holdings Inc. ("G-I Holdings"). G-I Holdings is a wholly-owned subsidiary of GAF Corporation ("GAF").

The Company is indirectly controlled by Samuel J. Heyman, Chairman of the Board of Directors and Chief Executive Officer of the Company and GAF. See "Item 12. Security Ownership of Certain Beneficial Owners and Management."

ISP Chemicals, ISP Technologies and the additional registrants are consolidated subsidiaries of the Company and, together with ISP Van Dyk Inc., ISP Fine Chemicals Inc. and ISP Newark Inc., constitute all of the domestic subsidiaries of the Company. ISP Chemicals was incorporated in Delaware in 1987 under the name Nordenham Inc. ISP Technologies was incorporated in Delaware in 1991 under the name ISP 6 Corp.

The address and telephone number for the principal executive offices of the Company are: 818 Washington Street, Wilmington, Delaware 19801; (302) 429-8554 or (800) 526-5315. The address and telephone number for the principal executive offices of ISP Chemicals are: Route 95 Industrial Area, P.O. Box 37, Calvert City, Kentucky 42029; (502) 395-4165. The address and telephone number for the principal executive offices of ISP Technologies are: State Highway 146 and Industrial Road, Texas City, Texas 77590; (409) 945-3411.

Financial information concerning the Company's industry segments and foreign and domestic operations required by Item 1 is included in Notes 10, 11 and 12 to the Consolidated Financial Statements of the Company contained in the Annual Report.

Specialty Derivative Chemicals

Products and Markets. The Company manufactures more than 300 specialty derivative chemicals having numerous applications in consumer and industrial products. The Company uses proprietary technology to convert various raw materials, through a chain of one or more processing steps, into increasingly complex and higher valued derivatives to meet specific customer requirements. More than 200 of the Company's specialty derivative chemical products are derived from acetylene, including intermediates, solvents, vinyl ethers, and polymers, and sales of these products represent the majority of the Company's specialty chemical sales.

Specialty derivative chemicals consist of nine main groups of products: vinyl ethers, polymers, solvents, intermediates, specialty preservatives, sunscreens, emollients, pearlescent pigments and fine chemicals.

Vinyl ether polymers are used in cosmetics and personal care products and pharmaceutical and health-related products, primarily in hair care and dental care products. Vinyl ether monomers and oligomers are used in coatings and inks for both consumer and industrial products.

Polyvinyl pyrrolidone polymers are used primarily in cosmetics and personal care products, pharmaceutical and health-related products and food and beverages and detergent formulations, such as drug and vitamin tablet binders and disintegrants; clarifiers and chill-hazing elimination agents for beer, wine and fruit juices; microbiocidal products for human and veterinary applications; hair care products such as mousses, conditioners, gels and glazes; ingredients in water-resistant mascara, sunscreen and lipstick; film-formers in polishes for consumer and industrial applications and a dispersant in agricultural chemical formulations.

Solvents are sold to customers for use in agricultural chemicals, pharmaceuticals, lithography, wire enamel production, adhesives, plastics, electronic microchips and integrated circuits, lubricating oil extraction and gas purification applications. The Company's family of solvents includes, among others, N-methyl pyrrolidone, butyrolactone and tetrahydrofuran, certain of which are used by the Company as raw materials in the manufacture of polymers.

Intermediates are manufactured primarily for use by the Company as raw materials in manufacturing solvents and polymers. Some intermediates are also sold to customers for use in the manufacture of engineering plastics and elastomers, agricultural chemicals, oil production auxiliaries and other products. Butanediol, an intermediate produced by the Company, is an essential raw material in the manufacture of polybutylene terephthalate thermoplastic resins and polyurethane elastomers, which are used in the automotive, electronics and appliance industries.

Specialty preservatives are proprietary products that are marketed worldwide to the cosmetics and personal care industries. This portion of the Company's product line was acquired in 1989 from Sutton Laboratories Inc., as part of the Company's plan to expand further its business in the cosmetics and personal care markets. The Company sells a number of preservative products, including Germall® 115, Germall® II, Germaben® II, Germaben® II-E, Suttocide® A and LiquaPar® Oil. Uses include baby preparations, eye makeup, facial makeup, after-shave and nail, bath, hair and skin preparations. Since the Sutton acquisition, the Company has expanded its sales of specialty preservatives in overseas markets through the use of its international marketing and sales force.

On March 31, 1992, the Company, through a newly formed subsidiary of the Company, ISP Van Dyk Inc., acquired certain assets of the Van Dyk Division of Mallinckrodt Specialty Chemicals Company. ISP Van Dyk Inc. produces three product lines which the Company markets to the cosmetics and personal care industries — ultraviolet absorber chemicals, the principal active ingredients in sunscreens; pearlescent pigments, which provide the pearly or lustrous color in lipsticks, eye shadows and other cosmetics; and emollients and emulsifiers, which are used as moisturizing and softening agents in a variety of creams and lotions, hair care products and other cosmetics. ISP Van Dyk's Escalol™, Pearl Glo™ and Ceraphyl™ products are widely recognized for their respective sunscreen, pigment and emollient properties.

On February 8, 1993, the Company, through a newly formed subsidiary, ISP Fine Chemicals Inc., acquired certain assets of MTM Chemicals Inc., a subsidiary of MTM Plc. ISP Fine Chemicals Inc. produces a broad range of bulk pharmaceuticals, pharmaceutical intermediates, biological buffers and pheromones which serve the pharmaceutical, biotechnology, agricultural and chemical process industries. Fine chemicals are extremely specialized products, made in small quantities, which because of their complexity can be priced at several hundred to several thousand dollars per pound. ISP Fine Chemicals also provides a custom manufacturing capability serving the pharmaceutical, biotechnology, agricultural and chemical process industries.

The Company recently announced plans to construct a specialty chemical manufacturing plant in Belgium, which it expects to complete in stages over a multi-year period at a net cost to the Company of more than $100 million.

Marketing and Sales. The Company markets its specialty derivative chemicals through a worldwide marketing and sales force, consisting of approximately 250 employees, typically chemists or chemical engineers, who work closely with the Company's customers to familiarize themselves with their customers' products, manufacturing processes and markets. The Company conducts its marketing and domestic sales from the Company's headquarters in Wayne, New Jersey and regional offices strategically located throughout the United States. The Company markets all of its specialty derivative chemicals worldwide. The Company conducts its international operations through 24 subsidiaries and 31 sales offices located in Western and Eastern Europe, Canada, Latin America and the Asia-Pacific region. Services of local distributors are also used to reach markets that might otherwise be unavailable to the Company.

Domestic and international net sales, in 1992, of the Company's specialty derivative chemicals, excluding sales by GAF-Hüls, were approximately 45% and 55% of total net sales of specialty derivative chemicals, respectively.

Raw Materials. The principal raw materials used in the manufacture of specialty derivative chemicals are acetylene, methanol and methylamine. Most of these raw materials are obtained from outside sources pursuant to long-term supply agreements. Acetylene, a significant raw material used in the production of most specialty derivative chemicals, is obtained by the Company for domestic use from two unaffiliated suppliers pursuant to long-term supply contracts. At the Company's Texas City and Seadrift, Texas plants, acetylene is supplied by a large multinational company that generates this raw material as a by-product from ethylene manufacture. At the Company's Calvert City, Kentucky facility, acetylene is supplied by a company that generates it from calcium carbide. The acetylene utilized by GAF-Hüls is produced by Hüls, using a proprietary electric arc process, sourced from various hydrocarbon feedstocks. The Company believes that this diversity of supply sources, using a number of production technologies (ethylene by-product, calcium carbide and the electric arc), tends to create a reliable supply of acetylene. In the event of a substantial interruption in the supply of acetylene from current sources, no assurances can be made that the Company would be able to obtain as much acetylene from other sources as would be necessary to meet its supply requirements. The Company has a long-standing agreement with GAF-Hüls to import butanediol into the United States for use as a feedstock for the production of the Company's solvents and polymers. The Company has not experienced an interruption of its acetylene supply that has had a material adverse effect on its sales of specialty derivative chemicals.

With regard to raw materials other than acetylene, the Company believes that in the event of a supply interruption it could obtain adequate supplies from alternate sources. Raw materials derived from petroleum or natural gas are used in many of the Company's manufacturing processes and, consequently, the price and availability of petroleum and natural gas could be material to the Company's operations. During 1992, crude oil and natural gas supplies and prices remained constant with some seasonal and weather related variations. In the interim, oil and gas supplies are expected to remain plentiful, assuring the Company of an adequate supply of petroleum based raw materials.

Mineral Products

Products and Markets. The Company manufactures mineral products consisting of ceramic colored roofing granules, which are produced from rock deposits that are mined and crushed at the Company's quarries and colored using a proprietary ceramic coating process. The Company's mineral roofing granules are sold primarily to the North American roofing industry for use in the manufacture of asphalt roofing shingles, for which they provide weather resistance, decorative coloring, heat deflection and increased weight. The Company is the second largest of only two major suppliers of colored roofing granules in North America, the other being Minnesota Mining & Manufacturing Company. The Company also markets granule by-products for use as mineral filler for asphalt roofing products and the construction of clay tennis courts.

The Company estimates that more than 80% of the asphalt shingles currently produced by the roofing industry are sold for the reroofing/replacement market, in which demand is driven not by the pace of new home construction but by the needs of homeowners to replace existing roofs. Homeowners generally replace their roofs either because they are worn, therefore creating concerns as to weather-tightness, or because of the homeowners' desire to upgrade the appearance of their homes. The Company estimates that the balance of the roofing industry's asphalt shingle production historically has been sold primarily for use in new housing construction. Sales of the Company's colored mineral granules have benefitted from a trend toward the increased use of heavyweight, three-dimensional laminated roofing shingles, which require, on average, approximately 25% more granules than traditional three-tab, lightweight roofing shingles.

Marketing and Sales. Building Materials purchases 100% of its colored roofing granule requirements from the Company (except for the requirements of its California roofing plant) under a contract that expires December 31, 1993. These purchases constituted approximately 40% of the Company's mineral products net sales in 1992.

Raw Materials. The Company owns rock deposits that have specific performance characteristics, including weatherability, the ability to reflect UV light, abrasion-resistance, non-staining characteristics and the ability to absorb pigments. The Company owns three quarries, each with proven reserves, based on current production levels, of more than 20 years. The Company has in recent years purchased land adjacent to its quarries for potential additional reserves.

Filter Products and Advanced Materials

The Company manufactures and sells filter products, consisting of pressure filter vessels, filter bags and filter systems, and sells cartridges and cartridge housings. These filter products are designed for the treatment of process liquids, with the paint, automotive, chemical, pharmaceutical, petroleum and food and beverage industries accounting for approximately 80% of the Company's 1992 net sales of filter products.

While the primary market for the Company's filter products has traditionally been in Europe, three years ago the Company began to expand its market penetration in the Asia-Pacific region and by the end of 1992 gained a major share of the bag filtration market in that region. The Company is also the leading supplier of bag filtration equipment in Brazil. In 1990 the Company entered the U.S. market by importing products produced in other regions. In 1992 the Company opened a production, distribution and sales center in Memphis, Tennessee to better serve the U.S. market.

The Company manufactures a variety of advanced materials, consisting of high-purity carbonyl iron powders, sold under the Company's trademark Micropowder™, used in a variety of advanced technology applications for the aerospace and defense, electronics, powder metallurgy, pharmaceutical and food industries. Using proprietary technology, the Company manufactures more than 50 different grades of Micropowder™ iron, one of which is sold under the trademark Ferronyl®, for use as a vitamin supplement.

The primary markets for the Company's Micropowder™ are the domestic defense industry, which employs these products in a variety of coating systems for stealth purposes in aircraft and naval ships, and the emerging metal injection molding segment of the powder metallurgy industry. The Company is the sole domestic manufacturer of carbonyl iron powders.

The Company also manufactures a line of processless, electronically imaged film products. This technology was the source of a new product introduced in 1992, RAD-SURE™, which is a radiation sensitive film strip affixed to blood bags to indicate whether or not they have been properly irradiated.

Competition

The Company believes that it is either the first or second largest seller worldwide of most of its specialty derivative chemicals other than butanediol and tetrahydrofuran. The Company's major competitor is BASF Aktiengesellschaft ("BASF"). Butanediol, which the Company produces primarily for use as a raw material, is also manufactured by a limited number of companies in the United States, Germany, Japan and Korea. Tetrahydrofuran is manufactured by a number of companies throughout the world. While there are companies, other than the Company and BASF, that manufacture a limited number of the Company's other specialty derivative chemicals, the market position of these companies is much smaller than that of the Company. In addition to the Company's competition as noted above, there are other companies that produce substitutable products for a number of the Company's specialty derivative chemicals.

With regard to its mineral products, the Company has only one major and one smaller competitor and believes that competition has been limited by: (i) the substantial capital expenditures associated with the construction of new mineral processing and coloring plants and the acquisition of suitable rock reserves; (ii) the limited availability of proven rock sources; (iii) the complexity associated with the engineering, design and construction of a mineral processing and coloring plant, together with the technical know-how required to operate such a plant; and (iv) the difficulty in obtaining the necessary permits to mine and operate a quarry.

With respect to filter products, the Company competes with a number of companies worldwide. With respect to advanced materials, the Company is the sole domestic manufacturer of carbonyl iron powders and one of only two manufacturers worldwide.

Research and Development

The Company's research and development department, consisting of approximately 240 persons dedicated principally to specialty derivative chemicals, is located primarily at the Company's worldwide technical center and laboratories in Wayne, New Jersey. Additional research and development is conducted at the Calvert City, Kentucky and Texas City, Texas plant sites, Sutton's Chatham, New Jersey facility, ISP Van Dyk's Belleville, New Jersey facility and the Company's laboratories in the United Kingdom, Germany and Singapore.

The Company's mineral products research and development facility, together with its customer design and color center, is located at Hagerstown, Maryland.

The Company's research and development expenses are presented in Note 2 to the Consolidated Financial Statements of the Company contained in the Annual Report.

Patents and Trademarks

The Company owns approximately 450 domestic and 180 foreign patents and approximately 55 domestic and 500 foreign trademark registrations related to the business of the Company. The Company does not believe that any of its patents, patent applications or trademarks are material to its business or operations.

Environmental Compliance

Since 1970, a wide variety of federal, state and local environmental laws and regulations have been adopted, and environmental laws and regulations continue to be adopted and amended. By reason of the nature of the operations of the Company and its predecessor and certain of the substances that are, or have been used, produced or discharged by their plants or at other locations, the Company is affected by these laws and regulations. The Company has made capital expenditures of less than $4 million in each of the last three years in order to comply with environmental laws and regulations (which expenditures are included in additions to property, plant and equipment). The Company anticipates that capital expenditures relating to environmental compliance for 1993 will be approximately $5.2 million.

The Clean Air Act, as amended, the Clean Water Act, as amended, the Safe Drinking Water Act, as amended, and similar state or local counterparts of these Federal laws regulate air and water emissions or discharges into the environment. The Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response Compensation and Liabilities Act and the Superfund Amendments and Reauthorization Act of 1986, among others, address the generation, storage, treatment, transportation and disposal of solid waste, and releases, and preparedness in the event of releases, of hazardous substances to the environment. The Company's current operations require compliance with the above specified laws as well as the Toxic Substances Control Act and related laws designed to assess the risk to health or the environment at early developmental stages of new products. In addition, the Company is subject to workplace safety and health standards regulated by the Occupational Safety and Health Act and laws already adopted or proposed in various states that require that industrial property be environmentally sound if operations cease or the property is transferred or sold. See "— Legal Proceedings."

The Company believes that any potential liability in connection with its manufacturing facilities, under presently interpreted and enforced environmental laws and regulations, and compliance with such environmental requirements, will not materially affect its business or financial position.

Employees

At December 31, 1992, the Company employed approximately 2,435 people worldwide. As of December 31, 1992, approximately 750 employees in the United States and Canada were subject to eight union contracts, which are effective in most cases for two- or three-year periods. Of these contracts, one expired and was renegotiated in 1992, one other contract expired and was terminated in March 1992, in connection with the Company's decision to contract for services required at the property, and one new union contract was entered into in 1992. The Company believes that its relations with its employees and their unions are satisfactory.

The Company has in effect various benefit plans, which include a non-qualified retirement plan for a group of executives, a capital accumulation plan for its salaried employees, a flexible benefit plan for its salaried employees, a retirement plan for its hourly employees, and group insurance agreements providing life, accidental death, disability, hospital, surgical, medical and dental coverage. In addition, the Company has contracted with various health maintenance organizations to provide medical benefits. The Company and, in many cases, its employees contribute to the cost of these plans.

Item 2. Properties

The Company's administrative subsidiary maintains its corporate headquarters and principal research and development laboratories at a 100-acre campus-like, office and research park owned by a subsidiary of the Company at 1361 Alps Road, Wayne, New Jersey 07470. The premises are subject to a first mortgage. The Company maintains its principal office at 818 Washington Street, Wilmington, Delaware 19801.

The Company's specialty derivative chemical products are manufactured at six plants in the United States and at the GAF-Hüls plant in Marl, Germany. The Company's mineral granule products are currently produced at three plants in the United States, each of which performs mining, milling, screening and coloring operations. The Company's filter products are manufactured at four plants outside of the United States and one in the United States. Advanced materials are manufactured at one plant in the United States.

The Company's principal domestic and foreign real properties are either owned by, or leased to, the Company's subsidiaries as described below. Unless otherwise indicated, the properties are owned in fee. The Company's domestic and international sales offices and warehouses generally are leased under relatively short-term leases.

Location	Facility	Product Lines
DOMESTIC		
Alabama		
Huntsville	Plant*	Advanced Materials
Kentucky		
Calvert City	Plant	Specialty Derivative Chemicals
Maryland		
Hagerstown	Research Center, Design Center, Sales Office	Mineral Products
Missouri		
Annapolis	Plant, Quarry	Mineral Products
New Jersey		
Belleville	Plant, Sales Office	Specialty Derivative Chemicals
Bridgewater	Sales Office	Specialty Derivative Chemicals
Chatham	Plant, Sales Office, Research Center, Warehouse	Specialty Derivative Chemicals
Wayne	Sales Office, Administrative Offices, Research Center	Specialty Derivative Chemicals Filter Products Advanced Materials
Ohio		
Columbus	Plant, Sales Office	Specialty Derivative Chemicals
Pennsylvania		
Blue Ridge Summit	Plant, Quarry	Mineral Products
Tennessee		
Memphis	Plant*, Warehouse*, Distribution Center*	Filter Products
Texas		
Seadrift	Plant	Specialty Derivative Chemicals
Texas City	Plant	Specialty Derivative Chemicals
Wisconsin		
Pembine	Plant, Quarry	Mineral Products
INTERNATIONAL		
Belgium		
Sint-Niklaas	Plant, Sales Office, Distribution Center	Specialty Derivative Chemicals Filter Products
Brazil		
Sao Paulo	Plant*, Sales Office*, Distribution Center*	Specialty Derivative Chemicals Filter Products
Canada		
Mississauga, Ontario	Plant*, Sales Office*, Distribution Center*	Specialty Derivative Chemicals Filter Products
Great Britain		
Guildford	European Headquarters*, Research Center*	Specialty Derivative Chemicals
Singapore		
Southpoint	Plant*, Sales Office*, Distribution Center*, Asia Pacific Headquarters*, Warehouse*	Specialty Derivative Chemicals Filter Products
Affiliate:		
GAF-Hüls Chemie GmbH Marl, Germany	Plant, Sales Office	Specialty Derivative Chemicals

* Leased Property

The Company believes that its plants and facilities, which are of varying ages and are of different construction types, have been satisfactorily maintained, are in good condition, are suitable for the Company's operations and generally provide sufficient capacity to meet the Company's production requirements. Each plant has adequate transportation facilities for both raw materials and finished products. In 1992, the Company invested $52.6 million in new plant, property and equipment.

Item 3. Legal Proceedings

In May 1991, in connection with the Stock Acquisition, the Company assumed the liabilities of GCC relating to the business and operations of the assets transferred to the Company and its subsidiaries, including certain of the matters set forth below. Accordingly, the term "the Company", as used below, includes the Company and GCC.

Environmental Litigation

The Company has certain liabilities under New Jersey statutes and regulations relating to the closing of its plant in Linden, New Jersey (the "Linden Site"). In June 1989, the Company entered into an Administrative Consent Order (the "ACO") with the New Jersey Department of Environmental Protection and Energy ("NJDEPE") under the New Jersey Spill Compensation and Control Act, among other New Jersey laws, which requires the Company to develop a remediation plan for the Linden Site. Pursuant to the ACO, the Company posted letters of credit aggregating $7.5 million to cover the anticipated costs of remediation; however, there can be no assurance as to the actual costs that will be incurred in connection with such remediation. The Company is in the process of completing its analysis of remedial work required by the ACO at the Linden Site.

The Company is a party to a variety of proceedings and lawsuits involving environmental matters, including being named as defendant, respondent or a potentially responsible party, together with other companies, under CERCLA and similar state laws, in which recovery is sought for the cost of cleanup of contaminated waste disposal sites. Many of these proceedings and lawsuits are in the early stages and, due to the practices of waste disposal haulers and disposal facilities prior to adoption and implementation of the environmental laws and regulations, evidence is difficult to obtain or evaluate.

The Company is seeking dismissal of a number of the lawsuits and proceedings on the ground that there appears to be no substantial evidence of the Company's responsibility for any hazardous waste present at certain of the sites in question. At each site, the Company anticipates, although there can be no assurance, that liability, if any, will eventually be apportioned among the companies found to be responsible for the presence of hazardous waste at the site. Based on facts presently available, it is not possible to predict the eventual cost to the Company of these matters; however, the Company currently estimates that its liability in respect of such matters (including the matters discussed below) will, after a reduction for anticipated insurance recoveries, be approximately $12.1 million. In the opinion of management, these matters should be resolved and such amounts paid gradually over a period of years and, accordingly, the resolution of such matters should not be material to the business or financial position of the Company.

The following two proceedings involve environmental claims by governmental authorities for amounts in excess of $100,000:

Pursuant to a Consent Order between the United States Environmental Protection Agency (the "EPA") and over 100 potentially responsible parties, including the Company, such parties have agreed to participate in the remediation of a contaminated waste disposal site in Carlstadt, New Jersey. The EPA is evaluating final remedies for the site. Total cleanup costs are unknown but the Company estimates, based on information currently available to it, that the insurance proceeds pursuant to the agreement described below will cover a substantial portion of the Company's share of such costs.

In 1988 and again in 1990, NJDEPE sent notices to the Company and approximately 150 other potentially responsible parties seeking remediation of a contaminated waste disposal site in Jersey City, New Jersey. NJDEPE contends that the Company used a transporter that delivered hazardous waste material to such site. The total clean-up costs are unknown, although NJDEPE alleges that it has spent in excess of $23 million on a remedial investigation/feasibility study and on remediation, and has instituted an action to recover such costs in which the Company has not been named as a defendant. The Company believes that to the extent any of the Company's waste was sent to such site, as alleged, such waste was accounted for in a settlement involving the same transporter in an earlier unrelated case.

The Company has reached agreements with its comprehensive general liability insurers regarding the Company's liabilities and expenses in connection with the administrative proceedings and lawsuits described above. Pursuant to these agreements, certain insurers pay, under a reservation of rights, costs of the Company in defending certain of these administrative proceedings and lawsuits, and reimburse the Company for a substantial portion of its liabilities. The Company believes that the amount of insurance available under the policies pursuant to which the expenses and liabilities are being paid will be sufficient to cover the Company's expenses and that portion of the Company's estimated liabilities agreed to be paid by such insurers. The Company has established a reserve to cover the uninsured portion of costs in connection with these administrative proceedings and lawsuits.

The Texas Water Commission ("TWC") has filed an amended administrative enforcement petition with respect to the Company's Texas City, Texas manufacturing facility seeking a revised civil penalty of $601,200 for alleged violations of TWC financial assurance requirements, a failure to complete closure of regulated waste units in accordance with closure plan schedules and improper maintenance of two waste container storage areas. The Company is currently contesting the alleged violations and it is not expected that this matter will proceed to trial prior to the second quarter of 1993. Although no assurances can be given, the Company believes that the ultimate civil penalty, if any, will be substantially lower than the amount sought.

The Company believes that its manufacturing facilities are being operated in compliance in all material respects with applicable environmental, health and safety laws and regulations but cannot predict whether more burden-some requirements will be imposed by governmental authorities in the future.

SEC Consent

On March 8, 1990, GAF and a former GAF officer, without admitting or denying the allegations in a proposed complaint by the Securities and Exchange Commission, consented to the entry of judgments enjoining GAF and its subsidiaries (which include the Company) and their respective directors and officers from violating Sections 10(b), 13(b)(2)(A) and 13(d)(2) of the Exchange Act, and Rules 10b-5 and 13b2-1 thereunder, and from aiding and abetting violations of Sections 13(b)(2)(A) and 13(d)(2) of the Exchange Act and Rule 13d-2 thereunder. GAF also paid a fine of $1.25 million, plus prejudgment interest from October 30, 1986 to March 8, 1990, in connection with the judgments. The proposed complaint arose out of allegations that defendants attempted to increase the price of Union Carbide Corporation ("Union Carbide") common stock on October 29 and 30, 1986, in connection with the disposition by GAF of a portion of its Union Carbide stock position.

Asbestos Claims Filed Against GAF

GAF has advised the Company that GAF has been named as a co-defendant in approximately 63,000 pending lawsuits involving alleged health claims relating to the inhalation of asbestos fiber, having resolved approximately 112,000 other lawsuits involving similar claims. GAF has also advised the Company that GAF has been named as a co-defendant in approximately 30 pending lawsuits alleging economic and property damage or other injuries in schools or public and private buildings caused, in whole or in part, by what is claimed to be the present or future need to remove asbestos material from those premises.

GAF has also advised the Company that, assuming the Settlement described below is approved and becomes effective, it estimates that GAF's total liability (net of estimated recoveries from products liability insurance policies and reserves previously established) in connection with all pending asbestos-related bodily injury claims, and all future asbestos-related bodily injury claims anticipated to be resolved over the first ten years of the Settlement, will be approximately $200 million after taxes, and GAF has advised the Company that it has made appropriate provisions in its 1992 financial statements relating thereto. Payment in connection with this liability would be made over the next ten years. While GAF is unable to estimate the amount of liability with respect to claims to be resolved after such period, it believes that it will resolve, by the end of such period, substantially all of the court cases currently pending against it, and that it will further resolve substantially all of the claims filed under the Settlement over the initial ten-year period on a relatively current basis, so that the number of claims pending against it at the end of such period will be substantially diminished from current levels; as a result of these and other factors, GAF believes that the resolution of any claims after such ten-year period will not have a material adverse effect on its financial position. GAF's estimate of asbestos-related liabilities is based on assumptions which relate, among other things, to the number of new cases filed, the cost of resolving (either by settlement or litigation or through the mechanism established by the Settlement) pending and future claims, the realization of related tax benefits, the resolution of certain pending litigation against certain insurance companies and the amount of GAF's recoveries from various insurance companies.

On January 15, 1993, GAF entered into, together with other members of the Center for Claims Resolution (a non-profit organization of asbestos defendant companies (the "CCR")), a class-action settlement agreement (the "Settlement") to resolve all future asbestos bodily injury claims (other than claims of those persons who "opt out" of the class) against GAF and other members of the CCR. The class action was filed with the United States District Court in Philadelphia and the Settlement is subject to certain conditions, including that Court's approval and the favorable outcome of certain litigation relating to the Settlement commenced by the members of the CCR against products liability insurers.

Of the approximately 63,000 pending bodily injury cases, approximately 9,700 cases are pending in a Maryland state court; 8,555 of these Maryland cases were consolidated before a single judge for trial of certain alleged "common issues". Trial of the individual cases concluded in August 1992. The jury's verdict, in substance, found GAF liable on the "common issues" of negligence and strict liability for certain years and certain periods and for punitive damages as to certain periods equal to 2.5 times GAF's share, if any, of the compensatory damages payable to plaintiffs in each action, and found GAF liable for compensatory and punitive damages in one of the six individual cases. The remaining cases pending in the Maryland court will be decided in a series of mini-trials, which are expected to occur over a lengthy period of time commencing March 1993. The Maryland trial court has indicated that the jury's verdicts at the consolidated trial on the alleged "common issues," which determined liability in negligence and strict liability, liability for punitive damages, and the multiplier of 2.5 to be used in calculating punitive damages against GAF, will be binding on GAF at the mini-trials.

GAF has advised the Company that, assuming the correctness of the assumptions referred to above, about which there can be no assurance, GAF believes that its reserves, including the additional reserve referred to above, adequately reflect its actual asbestos-related liabilities. GAF has also advised the Company that, although any opinion is necessarily judgmental and must be based on information currently known, it is the opinion of GAF's management, based on the assumptions referred to above and its analysis of GAF's future business, financial prospects and cash flows, that, after giving effect to the aforementioned reserves, asbestos-related claims (including any claims resolved within the next ten years) will not have a materially adverse effect on GAF's financial position and will not impair the ability of GAF to meet its obligations, to reinvest in its businesses or to take advantage of attractive opportunities for growth.

Neither the Company nor the assets or operations of the Company, which was operated as a division of a corporate predecessor of GAF prior to July 1986, have been employed in the manufacture or sale of asbestos products. The Company believes that it should have no legal responsibility for damages in connection with asbestos-related claims, but the Company cannot predict whether any such claims will be asserted against it or the outcome of any litigation relating to such claims. In addition, should GAF be unable to satisfy judgments against it in asbestos-related lawsuits, its judgment creditors might seek to enforce their judgments against the assets of GAF, including its indirect holdings of Common Stock of the Company, and such enforcement could result in a change of control of the Company.

Other Litigation

On January 20, 1993, Rhone-Poulenc Surfactants and Specialties, Inc. ("RP") filed a complaint against GAF Chemicals Corporation ("GCC") in Delaware Chancery Court (New Castle County) seeking a declaratory judgment that it may exercise its alleged right to retire substantially all of GCC's interest in Rhone-Poulenc Surfactants and Specialties, L.P. (the "Partnership") on or before May 13, 1993. While the Company is a named defendant in this litigation, the Company's management believes that it is not a proper defendant because, among other reasons, it has no interest in the Partnership and no relief is being sought against it. The matter is scheduled for trial commencing March 31, 1993. GCC and the Company intend to vigorously contest this action. GCC has advised the Company that it believes that it has meritorious defenses against RP, although there can be no assurance as to the outcome of the litigation with RP.

GCC has advised the Company that, under current interpretations of tax law, should RP be permitted to exercise its right to retire GCC's interest in the Partnership, GCC would incur a tax liability, after taking into account tax attributes available to GAF and its subsidiaries and based on current projections, of approximately $95 million. G Industries has assumed, and G Industries and GAF have agreed to jointly and severally indemnify the Company against, such tax liability. The Company is a member of the same consolidated group as GCC and, subject to such indemnification, would be severally liable for any tax liability imposed in connection with the retirement of GCC's interest in the Partnership should GCC, G Industries and GAF be unable to satisfy such liability.

In the opinion of the Company's management, the ultimate resolution of the dispute with RP will not have a material adverse effect on the operations; liquidity or financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of Security Holders during the fourth quarter of 1992.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Information relating to the Market for the Company's Common Stock contained on page 51 of the Annual Report is incorporated by reference herein.

The following information pertains to the Company's common stock, which is traded on the New York Stock Exchange. As of March 10, 1993, the common stock price was $6.25, and there were 420 holders of record of the Company's outstanding common stock. The price range of the common stock in 1992 and 1991 was as follows:

	1992		1991	
	High	Low	High	Low
First Quarter	$15⅞	$10⅛	—	—
Second Quarter	12⅜	9⅛	$15⅞	15½
Third Quarter	13¾	10⅞	18	14
Fourth Quarter	13½	8¾	16¼	11½

The Company currently pays a semi-annual dividend of 2.5 cents per share on its Common Stock. The declaration and payment of dividends is at the discretion of the Board of Directors of the Company. The timing and amount of dividends paid, if any, will be dependent upon, among other things, the Company's results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by the Board of Directors. Accordingly, there can be no assurance that the Board of Directors will declare and pay dividends or as to the amounts thereof. The ability to pay dividends is currently limited by a covenant in the Company's bank credit agreement (the "Credit Agreement"). See Note 6 to the Consolidated Financial Statements included in the Annual Report.

Item 6. Selected Financial Data contained on page 26 of the Annual Report is incorporated by reference herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained on page 22 of the Annual Report is incorporated by reference herein.

Item 8. Financial Statements and Supplementary Data listed below are incorporated by reference to the Annual Report.

Item 9. Disagreements on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of Registrant.

Information relating to the directors of the Registrant is incorporated by reference to the Proxy Statement under the heading "Election of Directors".

Executive Officers

The following table sets forth the name, age, position and other information with respect to the executive officers of the Company and the executive officers and directors of ISP Chemicals or ISP Technologies.

Name and Position Held(1)	Age	Present Principal Occupation or Employment and Five-Year Employment History
Samuel J. Heyman(2) Chairman and Chief Executive Officer, International Specialty Products Inc.	53	Mr. Heyman has been a director, Chairman and Chief Executive Officer of the Company since its formation and a director, Chairman and Chief Executive Officer of ISP Chemicals and ISP Technologies since November 1991. Mr. Heyman has been Chairman and Chief Executive Officer of GAF, G Industries and certain of its subsidiaries since April 1989, prior to which he held the same position with GAF's predecessor (the "Predecessor Parent Company") from December 1983 to April 1989, and was Chairman of GCC and its predecessor from July 1984 to January 1991. He is also the Chief Executive Officer, Manager and General Partner of a number of closely held real estate development companies and partnerships whose investments include commercial real estate and a portfolio of publicly traded securities.
Thomas C. Bohrer President and Chief Operating Officer, International Specialty Products Inc.	53	Mr. Bohrer has been a director, President and Chief Operating Officer of the Company and Chief Operating Officer of ISP Chemicals and ISP Technologies since November 1991. From July 1989 to November 1991 he was Vice President and Group President, Advanced Materials and a director of Hoechst Celanese Corporation ("HCC"). From January to July 1989 he was President, Engineering Plastics Group, of HCC and from April 1988 to January 1989 he was President, Specialty Products Group, of HCC. Mr. Bohrer was Vice President and General Manager Worldwide Engineering Resins (Division) of Celanese Corporation from 1984 to 1987.
Alan Z. Senter Executive Vice President and Chief Financial Officer, International Specialty Products Inc.	51	Mr. Senter has been a director, Executive Vice President and Chief Financial Officer and a director of the Company, ISP Chemicals and ISP Technologies, GAF, G Industries and certain of its subsidiaries since July 1992. From 1990 to June 1992 he was Vice President, Finance and Senior Financial Officer of Xerox Corporation ("Xerox"). From 1985 through 1990 he was Corporate Vice President and Treasurer of Xerox. From 1975 through 1985 Mr. Senter held positions with Xerox of increasing responsibility. Mr. Senter is a director of EXEL Limited.

Name and Position Held(1)	Age	Present Principal Occupation or Employment and Five-Year Employment History
Carl R. Eckardt Executive Vice President — Corporate Development, International Specialty Products Inc.	61	Mr. Eckardt has been a director and Executive Vice President, Corporate Development of the Company since its formation and Executive Vice President of ISP Chemicals and ISP Technologies since November 1991. He has held the same positions with GAF since April 1989 and with the Predecessor Parent Company from January 1987 to April 1989. Mr. Eckardt was President of GCC and the Predecessor Parent Company's chemicals division from 1985 to 1987. Mr. Eckardt was a Senior Vice President — Worldwide Chemicals and Senior Vice President — International Chemicals of the Predecessor Parent Company from 1982 to 1985 and 1981 to 1982, respectively. Mr. Eckardt joined the Predecessor Parent Company in 1974. Mr. Eckardt has been Executive Vice President of G-I Holdings since March 1993.
Barry P. Simon Executive Vice President, General Counsel and Secretary, International Specialty Products Inc.	50	Mr. Simon has been a director, Executive Vice President, General Counsel and Secretary of the Company, ISP Chemicals and ISP Technologies, GAF, G Industries and certain of its subsidiaries since January 1993. From June 1990 to December 1992, Mr. Simon was Senior Vice President and General Counsel of Continental Airlines Holdings, Inc. From December 1987 to June 1990, he was Senior Vice President and General Counsel of Eastern Airlines.
James J. Conway Senior Vice President and General Manager, Specialty Derivative Chemicals, International Specialty Products Inc.	49	Mr. Conway has been Senior Vice President and General Manager, Specialty Derivatives of the Company since January 1993. He has held the same position and has been a director of ISP Technologies since January 1993. From March 1991 to November 1992, he was President of the Specialty Products Group of Hoechst Celanese Corporation ("HCC"). From April 1990 to March 1991, Mr. Conway was Executive Vice President of the same business of HCC. From January 1989 to March 1991 he was Vice President and General Manager of HCC's Engineering Plastics Division of the Advanced Materials Group and from November 1986 to January 1989 he was General Manager of the same.
James J. Strupp Senior Vice President — Human Resources, International Specialty Products Inc.	49	Mr. Strupp has been Senior Vice President — Human Resources of the Company since May 1991 and Senior Vice President-Human Resources of ISP Chemicals and ISP Technologies since June 1991. From 1987 to May 1991 he was Executive Vice President and Partner with Bastion Industries. Mr. Strupp was Vice President — Human Resources of the Predecessor Parent Company from 1984 to 1987.
Richard D. Borzelli Director and President, ISP Chemicals Inc.	47	Mr. Borzelli has been President and a director of ISP Chemicals since June 1991 and Vice President, Manufacturing of ISP Technologies since its formation, prior to which he held the same position with GCC from August 1988. From May 1982 to March 1988, he was Director of Operations, Process Chemicals Division, Henkel Corp., formerly Diamond Shamrock Corp.

Item 11. Executive Compensation to be contained in the Proxy Statement under the same heading is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The Company

As of March 10, 1993, the Common Stock of the Company was beneficially owned by the Company's directors, executive officers and affiliates, as follows:

Name	Number of Shares Owned	%	Number of Shares Beneficially Owned	%
Samuel J. Heyman	925	(3)	80,500,925	80.6(1)
Thomas C. Bohrer	1,000	(3)	23,500(4)(5)	(3)
Carl R. Eckardt	1,000	(3)	1,000	(3)
Charles M. Diker	5,000	(3)	7,000(4)	(3)
Sanford Kaplan	5,000	(3)	5,000	(2)
GCC	80,500,000	80.6	80,500,000	80.6
All directors and executive officers of the Company, ISP Chemicals and ISP Technologies (12 persons)	12,925	(3)	80,537,425(5)	80.6(2)

(1) By virtue of Mr. Heyman's ownership of capital stock of GAF having approximately 90% of the combined voting power thereof, the number of shares shown as being beneficially owned by Mr. Heyman includes 80,500,000 shares owned by GCC, the parent of the Company and an indirect wholly-owned subsidiary of GAF.

(2) The number of shares shown as being owned by all directors and officers of the Company as a group attributes ownership of GCC's 80,500,000 shares to Mr. Heyman. See footnote 1 above. In addition to Mr. Heyman, Messrs. Eckardt, Simon and another executive officer also own shares of capital stock of GAF which shares have, in the aggregate, 1.7% of the combined voting power of GAF's capital stock. Such shares are generally held subject to certain vesting arrangements and GAF's right to acquire such shares from an executive officer upon his termination of employment with GAF and its subsidiaries.

(3) Less than 1%.

(4) Mr. Bohrer and Mr. Diker disclaim beneficial ownership of 500 and 2,000 shares, respectively, owned by their spouses.

(5) Includes with respect to Mr. Bohrer and all directors and executive officers as a group 22,000 and 24,000 shares, respectively, subject to options granted under the 1991 Incentive Plan for Key Employees which are currently exercisable.

ISP Chemicals and ISP Technologies

As of the date of this Prospectus, 100% of the common stock of each of the Issuers was owned by the Company. By virtue of Mr. Heyman's ownership of a controlling interest in the Company (see note 1 to the table, above), he may be deemed to beneficially own 100% of the shares of ISP Chemicals and ISP Technologies.

Item 13. Certain Relationships and Related Transactions

Stephen A. Block, formerly the Senior Vice President, General Counsel and Secretary of the Company, in connection with his resignation, entered into an agreement with the Company pursuant to which he received $115,000 as an award under EIC for 1992. In addition, Mr. Block will receive a vested benefit, payable commencing at age 65, in the annual amount of $22,947.53, under the Retirement Plan.

The information contained in the Proxy Statement under the Caption "Election of Directors — Certain Transactions" and required by Item 13 is incorporated by reference herein.

The information contained in Note 9 to the Consolidated Financial Statements included in the Annual Report is incorporated by reference herein.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

The following documents are filed as part of this report:

(a)(1) Financial Statements:

Financial statements of the Company are incorporated by reference to the Company's Annual Report to Stockholders for the fiscal year ended December 31, 1992. See list on page 12 herein.

(a)(2) Financial Statement Schedules:

The following supplementary financial information is filed in this Form 10-K and should be read in conjunction with the financial statements in the Annual Report.

	Page Number in this Form 10-K
INTERNATIONAL SPECIALTY PRODUCTS INC.	
Report of Independent Public Accountants on Schedules for the years ended December 31, 1990, 1991 and 1992	17
Consolidated Financial Statement Schedules:	
Schedule II — Amounts Receivable From Related Parties, Underwriters, Promoters, And Employees Other Than Related Parties	S-1
Schedule V — Property, Plant and Equipment	S-2
Schedule VI — Accumulated Depreciation of Property, Plant and Equipment	S-3
Schedule VIII — Valuation and Qualifying Accounts	S-4
Schedule IX — Short-Term Borrowings	S-5
Schedule X — Supplementary Income Statement Information	S-6

Schedules, other than those listed above, are omitted because of the absence of the conditions under which they are required or because the required information, where material, is shown in the financial statements or the notes thereto.

(a)(3) Exhibits

(a) The following documents are filed as part of this report:

3.1 — Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, registration number 33-40337 (the "Common Stock Registration Statement").

3.2 — By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Common Stock Registration Statement).

3.3 — Certificate of Incorporation of ISP Chemicals (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1, registration number 33-44862 (the "9% Note Registration Statement").

3.4 — By-laws of ISP Chemicals (incorporated by reference to Exhibit 3.4 to the 9% Note Registration Statement).

3.5 — Certificate of Incorporation of ISP Technologies (incorporated by reference to Exhibit 3.5 to the 9% Note Registration Statement).

3.6 — By-laws of ISP Technologies (incorporated by reference to Exhibit 3.6 to the 9% Note Registration Statement).

4 — Indenture dated as of March 1, 1992 relative to the Company's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to the 9% Note Registration Statement).

10.1 — Credit Agreement, dated as of July 23, 1992 (incorporated by reference to the Company's Form 10Q for the quarter ended June 28, 1992)

10.2 — Amendment No. 1, dated as of October 15, 1992, to the Credit Agreement. pg. 52

10.3 — Amendment No. 2, dated as of December 23, 1992, to the Credit Agreement. pg. 61

10.4 — Stock Purchase Agreement dated May 8, 1991 between the Company and GCC (incorporated by reference to Exhibit 10.8 to the Common Stock Registration Statement).

10.5 — Management Agreement among the Company, GAF, G-I Holdings, G Industries, Building Materials and Broadcasting (incorporated by reference to Exhibit 10.9 to the Common Stock Registration Statement).

10.6 — Form of Tax Sharing Agreement among the Company, ISP Chemicals, ISP Technologies the Subsidiary Guarantors, GAF and G Industries (incorporated by reference to Exhibit 10.10 to the Common Stock Registration Statement).

10.7 — Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to the Common Stock Registration Statement).

10.8 — Equity Appreciation Plan of GAF (incorporated by reference to Exhibit 10.12 to the Common Stock Registration Statement).

10.9 — Reorganization Agreement dated May 8, 1991 among GCC, GAF, ISP Management Company Inc. (formerly ISP 1 Corp.), ISP Investments Inc. (formerly ISP 3 Corp.), ISP Minerals Inc. (formerly ISP 4 Corp.), ISP Filters Inc. (formerly ISP 5 Corp.), ISP Technologies Inc. (formerly ISP 6 Corp.), ISP Global Technologies Inc. (formerly ISP 7 Corp.), ISP Mineral Products Inc. (formerly ISP 8 Corp.), ISP Environmental Services Inc. (formerly ISP 9 Corp.), ISP Chemicals Inc. (formerly Sutton Laboratories Inc.) and ISP Real Estate Company, Inc. (formerly GAF Real Estate Company, Inc.) (including exhibits) (incorporated by reference to Exhibit 10.13 to the Common Stock Registration Statement)).

10.10 — Agreement dated January 1, 1991, between the Company and Building Materials (incorporated by reference to Exhibit 10.15 to the Common Stock Registration Statement).

10.11 — Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 28.1 to the Company's Registration Statement on Form S-8, registration number 33-54724).

10.12 — Form of 1991 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.16 to the Common Stock Registration Statement).

10.13 — Agreement dated September 23, 1991 between the Company and Thomas C. Bohrer (incorporated by reference to Exhibit 10.16 to the 9% Note Registration Statement).

10.14 — Agreement dated June 16, 1992 between the Company and Alan Z. Senter. pg. 85

10.15 — Agreement dated December 9, 1992 between the Company and Barry P. Simon.

10.16 — Contribution Agreement among ISP Chemicals, ISP Technologies and the Guarantors (incorporated by reference to Exhibit 10.17 of the 9% Registration Statement).

10.17 — Form of Maintenance Agreement between the Company and ISP Chemicals (incorporated by reference to Exhibit 10.18 to the 9% Note Registration Statement).

10.18 — Form of Assignment and Assumption Agreement between G Industries and the Company (incorporated by reference to Exhibit 10.19 to the 9% Note Registration Statement).

10.19 — Form of Assignment and Assumption Agreement among the Company, ISP Chemicals and ISP Technologies (incorporated by reference to Exhibit 10.20 to the 9% Note Registration Statement).

10.20 — Agreement dated October 26, 1992 among GAF, the Company and Stephen A. Block.

10.21 — Form of Intercompany Term Note of the Company payable to the order of ISP Chemicals (incorporated by reference to Exhibit 10.21 to the Senior Note Registration Statement).

10.22 — Form of Intercompany Term Note of the Company payable to the order of ISP Technologies (incorporated by reference to Exhibit 10.22 to the Senior Note Registration Statement).

10.23 — Form of Intercompany Revolving Note of the Company payable to the order of ISP Chemicals (incorporated by reference to Exhibit 10.23 to the Senior Note Registration Statement).

10.24 — Form of Intercompany Revolving Note of the Company payable to the order of ISP Technologies (incorporated by reference to Exhibit 10.24 to the Senior Note Registration Statement).

10.25 — Agreement dated October 26, 1992 among GAF, the Company and Stephen A. Block. pg. 100

13.1 — Annual Report to Stockholders for the year ended December 31, 1992, which except for the portions thereof which are expressly incorporated by reference herein, is furnished for the information of the Commission and shall not be deemed filed. pg. 107

22 — Subsidiaries of the Company; ISP Chemicals and ISP Technologies have no subsidiaries. pg 165

24.1 — Consent of Arthur Andersen & Co. pg 168

24.2 — Consent of Arthur Andersen & Co. pg. 170

(b) Reports on Form 8-K

No reports on Form 8-K were filed in the fourth quarter of 1992.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To International Specialty Products Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements included in International Specialty Products Inc.'s annual report to stockholders and incorporated by reference in this Form 10-K, and have issued our report thereon dated March 4, 1993. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in the index on page 14 of this Form 10-K are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Arthur Andersen & Co.

Roseland, New Jersey
March 4, 1993

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP CHEMICALS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Richard D. Borzelli	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP TECHNOLOGIES INC.

By: ______________________
Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
James J. Conway	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Harrison J. Goldin	Director
Charles M. Diker	Director
Sanford Kaplan	Director
Burt Manning	Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: ______________________________

Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Harrison J. Goldin	Director
Charles M. Diker	Director
Sanford Kaplan	Director
Burt Manning	Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Harrison J. Goldin	Director
Charles Diker X Charles M. Diker	Director
Sanford Kaplan	Director
Burt Manning	Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: ______________________________

Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer, Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer, Director
Harrison J. Goldin	Director
Charles M. Diker	Director
Sanford Kaplan	Director
Burt Manning	Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: ______________________________

Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Harrison J. Goldin	Director
Charles M. Diker	Director
Sanford Kaplan	Director
Burt Manning Burt Manning	Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP (PUERTO RICO) INC.

By: Barry P. Simon

Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
James M. Potter	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP ENVIRONMENTAL SERVICES INC.

By: Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP FILTERS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Bruce Morra	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP GLOBAL TECHNOLOGIES INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Raymond W. Smith, Jr.	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

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ISP INTERNATIONAL CORP.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Raymond W. Smith, Jr.	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP INVESTMENTS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Richard B. Olsen	President
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP MANAGEMENT COMPANY, INC.

By: ______________________
Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer; Director
Carl R. Eckardt	Executive Vice President, Corporate Development; Director
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP MINERAL PRODUCTS INC.

By: Barry P. Simon

Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
T. H. King	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP MINERAL PRODUCTS INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
T. H. King	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP MINERALS INC.

By: ______________________
Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
T. H. King	President and Director
Thomas C. Bohrer	Chief Operating Officer
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

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ISP MINERALS INC.

By: _________________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
T. H. King	President and Director
Thomas C. Bohrer	Chief Operating Officer
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP REAL ESTATE COMPANY, INC.

By: ______________________

Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Richard B. Olsen	President
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

ISP REALTY CORPORATION

By: ______________________
Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

VERONA INC.

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Steven Johnson	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

VERONA INC.

By: ______________________
Barry P. Simon
Executive Vice President,
General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	Chief Operating Officer
Steven Johnson	President and Director
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer, Director
Jonathan H. Stom	Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Wayne, State of New Jersey, on March 30, 1993.

BLUEHALL CORPORATION

By: ______________________
Barry P. Simon
Executive Vice President, General Counsel & Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed on March 30, 1993, by the following persons in the capacities indicated.

Signature	Title
Samuel J. Heyman	Chairman of the Board of Directors and Chief Executive Officer
Thomas C. Bohrer	President and Chief Operating Officer
Carl R. Eckardt	Executive Vice President, Corporate Development
Barry P. Simon	Executive Vice President, General Counsel and Secretary; Director
Alan Z. Senter	Executive Vice President and Chief Financial Officer; Director
Jonathan H. Stern	Principal Accounting Officer

INTERNATIONAL SPECIALTY PRODUCTS INC.

AMOUNTS RECEIVABLE FROM RELATED PARTIES, UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

Year Ended December 31, 1992
(Thousands)

Name of Debtor	Balance January 1, 1992	Additions	Amounts Collected	Amounts Written Off	Balance December 31, 1992 Current	Not Current
ALAN Z. SENTER......	$ —	$775,000(a)	$ —	$ —	$775,000	$ —

Note:

(a) On December 11, 1992, the Company loaned Mr. Senter $775,000 for the purchase of a home, payable on demand, without interest, but in no event later than the earlier of 30 days from the date of closing on the sale of his current residence or June 11, 1993.

INTERNATIONAL SPECIALTY PRODUCTS INC.

PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1992 (Thousands)

Classification	Balance January 1, 1992	Additions at Cost	Retirements	Other(b)	Balance December 31, 1992
Land	$ 51,462	$ 42	$ —	$ 2,196	$ 53,700
Land improvements	12,799	679	43	(1,809)	11,626
Buildings and fixtures	68,558	3,228	581	665	71,870
Machinery and equipment	312,633	25,466	5,576	9,653	342,176
Construction in progress	26,054	23,200(a)	2,132	3,104	50,226
	$471,506	$52,615	$8,332	$13,809	$529,598

Year Ended December 31, 1991 (Thousands)

Classification	Balance January 1, 1991	Additions at Cost	Retirements	Other	Balance December 31, 1991
Land	$ 51,462	$ —	$ —	$ —	$ 51,462
Land improvements	12,293	487	1	20	12,799
Buildings and fixtures	66,278	2,315	82	47	68,558
Machinery and equipment	288,472	25,611	1,096	(354)	312,633
Construction in progress	20,102	6,009(a)	—	(57)	26,054
	$438,607	$34,422	$1,179	$(344)	$471,506

Year Ended December 31, 1990 (Thousands)

Classification	Balance January 1, 1990	Additions at Cost	Retirements	Other	Balance December 31, 1990
Land	$ 51,966	$ —	$ 504	$ —	$ 51,462
Land improvements	11,716	428	92	241	12,293
Buildings and fixtures	63,766	3,529	1,531	514	66,278
Machinery and equipment	254,100	35,608	3,005	1,769	288,472
Construction in progress	25,337	(3,938)(a)	113	(1,184)	20,102
	$406,885	$35,627	$5,245	$ 1,340	$438,607

Notes:

(a) Denotes net change during the period.

(b) Includes $8.3 million related to the acquisition of assets of Van Dyk personal care business.

The ranges of annual depreciation rates generally were as follows (applied principally on the straight-line basis):

Land improvements	2½ – 20%
Buildings and fixtures	2½ – 33⅓%
Machinery and equipment	5 – 33⅓%

INTERNATIONAL SPECIALTY PRODUCTS INC.

ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1992
(Thousands)

Classification	Balance January 1, 1992	Additions Charged to Costs and Expenses	Retirements	Other	Balance December 31, 1992
Land improvements	$ 1,294	$ 544	$ 28	$ —	$ 1,810
Buildings and fixtures	8,102	2,759	405	537	10,993
Machinery and equipment	46,780	22,307	3,728	(636)	64,723
	$56,176	$25,610	$4,161	$ (99)	$77,526

Year Ended December 31, 1991
(Thousands)

Classification	Balance January 1, 1991	Additions Charged to Costs and Expenses	Retirements	Other	Balance December 31, 1991
Land improvements	$ 794	$ 501	$ 1	$ —	$ 1,294
Buildings and fixtures	5,100	3,068	79	13	8,102
Machinery and equipment	28,555	19,678	1,122	(331)	46,780
	$34,449	$23,247	$1,202	$(318)	$56,176

Year Ended December 31, 1990
(Thousands)

Classification	Balance January 1, 1990	Additions Charged to Costs and Expenses	Retirements	Other	Balance December 31, 1990
Land improvements	$ 363	$ 525	$ 94	$ —	$ 794
Buildings and fixtures	2,012	3,068	44	64	5,100
Machinery and equipment	11,369	18,715	1,608	79	28,555
	$13,744	$22,308	$1,746	$143	$34,449

INTERNATIONAL SPECIALTY PRODUCTS INC.

VALUATION AND QUALIFYING ACCOUNTS

Year Ended December 31, 1992
(Thousands)

Classification	Balance January 1, 1992	Charged to Costs and Expenses	Deductions	Balance December 31, 1992
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts	$2,221	$ 311	$ 427(a)	$2,105
Reserve for inventory market valuation	3,389	3,748	1,265	5,872

Year Ended December 31, 1991
(Thousands)

Classification	Balance January 1, 1991	Charged to Costs and Expenses	Deductions	Balance December 31, 1991
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts	$2,433	$ 208	$ 420(a)	$2,221
Reserve for inventory market valuation	5,046	1,752	3,409	3,389

Year Ended December 31, 1990
(Thousands)

Classification	Balance January 1, 1990	Charged to Costs and Expenses	Deductions	Balance December 31, 1990
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts	$1,845	$ 807	$ 219(a)	$2,433
Reserve for inventory market valuation	3,938	2,901	1,793	5,046

Note:

(a) Represents write-offs of uncollectible accounts net of recoveries.

INTERNATIONAL SPECIALTY PRODUCTS INC.

SHORT-TERM BORROWINGS

Year Ended December 31, 1992
(Thousands)

	At December 31, 1992		For the Year 1992		
Category	Balance Outstanding	Weighted Average Interest Rate	Maximum Month-end Amount Outstanding	Average Month-end Amount Outstanding	Weighted Average Month-end Interest Rate
Bank Borrowings	$ 2,211	5.6%	$ 2,211	$ 244	7.5%
Borrowings from GAF-Hüls joint venture	—	—	13,187	9,077	9.5%

Year Ended December 31, 1991
(Thousands)

	At December 31, 1991		For the Year 1991		
Category	Balance Outstanding	Weighted Average Interest Rate	Maximum Month-end Amount Outstanding	Average Month-end Amount Outstanding	Weighted Average Month-end Interest Rate
Bank Borrowings	$ 105	10.0%	$10,373	$ 3,108	10.0%
Borrowings from GAF-Hüls joint venture	—	—	10,819	2,558	9.3%

Year Ended December 31, 1990
(Thousands)

	At December 31, 1990		For the Year 1990		
Category	Balance Outstanding	Weighted Average Interest Rate	Maximum Month-end Amount Outstanding	Average Month-end Amount Outstanding	Weighted Average Month-end Interest Rate
Bank Borrowings	$ 9,317	9.3%	$13,012	$ 9,265	9.9%
Borrowings from GAF-Hüls joint venture	—	—	19,262	12,611	8.5%

Note:

Bank borrowings represent borrowings by the Company's foreign subsidiaries under short-term lines of credit which expire on various dates, but are generally renewable. Borrowings under the short-term lines of credit generally bear interest at or near the prevailing market rates in the individual countries. At December 31, 1992, the Company's foreign subsidiaries had unused short-term lines of credit aggregating $24.1 million.

INTERNATIONAL SPECIALTY PRODUCTS INC.

SUPPLEMENTARY INCOME STATEMENT INFORMATION

(Thousands)

Item	Charged to Costs and Expenses Year Ended December 31, 1992	1991	1990
Maintenance and repairs	$36,717	$34,281	$30,839
Rental expense—operating leases	6,046	5,291	3,958

Disclosure®
Information Services, Inc.

5161 River Road
Bethesda, MD 20816
(301) 951-1300

EXHIBITS FOLLOW

EXHIBIT 10.2

AMENDMENT NO. 1

AMENDMENT NO. 1 dated as of October 15, 1992, among ISP CHEMICALS INC., a Delaware corporation (together with its successors and permitted assigns, "ISP Chemicals"); ISP TECHNOLOGIES INC., a Delaware corporation (together with its successors and permitted assigns, "ISP Technologies"; ISP Technologies and ISP Chemicals are referred to herein collectively as the "Borrowers" and individually as a "Borrower"); INTERNATIONAL SPECIALTY PRODUCTS INC. (together with its successors and permitted assigns, "ISP"); each of the Subsidiaries of ISP identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto (each such Subsidiary, together with its successors and permitted assigns, being referred to herein collectively as the "Subsidiary Guarantors" and individually as a "Subsidiary Guarantor"); the financial institutions listed on the signature pages hereof (each, together with its successors and permitted assigns, a "Bank"); and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), acting as administrative agent in the manner and to the extent described in Section 11 of the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Agent").

The Borrowers, ISP, the Subsidiary Guarantors, the Banks and the Agent are parties to a Credit Agreement dated as of July 23, 1992 (as in effect on the date hereof, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by making of loans and issuing letters of credit) to be made by said Banks to or for account of the Borrowers in an aggregate principal or face amount not exceeding $400,000,000. The Borrowers, ISP, the Subsidiary Guarantors, the Banks and the Agent wish to amend the Credit Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement and are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Credit Agreement shall be amended as follows:

A. The definition of Quotation Date in Section 1.01 of the Credit Agreement is hereby amended to read in its entirety as follows:

"'Quotation Date' shall have the meaning assigned to such term in Section 2.03(b)(ii)(E) hereof."

B. The Section 2.03 of the Credit Agreement is hereby amended as follows:

(i) Subsection (b)(ii)(B) thereof is amended to read in its entirety as follows:

"(B) the aggregate amount of such Money Market Borrowing, which shall be at least $5,000,000 (or a larger integral multiple of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;"

(ii) Subsection (c)(ii)(B) thereof is amended to read in its entirety as follows:

"(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount shall be at least $5,000,000 (or a larger integral multiple of $1,000,000); provided that the aggregate principal amount of all Money Market Loans for which a Bank submits Money Market Quotes

(1) may be greater or less than the Commitment of such Bank but

(2) may not exceed the principal amount of the Money Market Borrowing for a particular Interest Period for which offers were requested;"

(iii) Subsection (e)(ii)(B) thereof is amended to read in its entirety as follows:

"(B) the aggregate principal amount of each Money Market Borrowing shall be at least $5,000,000 (or a larger integral multiple of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;"

(iv) Subsection (h) thereof is amended to read in its entirety as follows:

"(h) On the date on which it delivers a Money Market Quote Request to the Agent, the Borrower delivering such Request shall pay the Agent a non-refundable fee to be agreed upon between the Borrowers and the Agent."

C. Section 9.06(k) thereof is amended to read in its entirety as follows:

"(k) Indebtedness, in addition to that permitted under clauses (a) through (j) above, in an aggregate principal amount at any time outstanding not exceeding

(i) $120,000,000, but (x) only if, after October 1, 1992 and prior to January 1, 1993, ISP and/or its Subsidiaries (other than Designated Subsidiaries) shall have issued in a public offering under the Securities Act of 1933, as amended, Indebtedness in an aggregate principal amount of $100,000,000 that matures at least seven years from the date of such issuance and (y) only for periods after the date of such issuance, or

(ii) $100,000,000, under any other circumstances and for any other periods."

D. Footnote 2 of Exhibit D thereto is amended to read in its entirety as follows:

"[2] Each amount must be $5,000,000 or a larger integral multiple of $1,000,000."

E. Footnote 2 of Exhibit E thereto is amended to read in its entirety as follows:

"[2] The principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for at least $5,000,000 or a larger integral multiple of $1,000,000."

Section 3. Representations and Warranties. Each of ISP and the Borrowers represents and warrants to the Banks that the representations and warranties set forth in Section 8 of the Credit Agreement are true and complete on the date hereof as if made on and as of the date hereof and as if each reference in said Section 8 to "this Agreement" included reference to this Amendment No. 1.

Section 4. Condition Precedent. As provided in Section 2 above, the amendments to the Credit Agreement set forth in said Section 2 shall become effective, as of the date hereof, upon the execution and delivery of this Amendment No. 1 by (A) the Borrowers, ISP and the Subsidiary Guarantors and (B) either the Agent and the Majority Banks or the Agent acting with the written consent of the Majority Banks.

Section 5. Ratification of Credit Agreement. The Borrowers, ISP and the Subsidiary Guarantors ratify and confirm the provision of the Credit Agreement, as amended hereby, acknowledge that references to "this Agreement" in the Credit Agreement are to the Credit Agreement, as amended hereby, and further acknowledge that, except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect.

Section 5. Miscellaneous. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

Borrowers

ISP CHEMICALS INC.
ISP TECHNOLOGIES INC.

By____________________________
Title:
JAMES P. ROGERS
VICE PRESIDENT & TREASURER

Parent Guarantor

INTERNATIONAL SPECIALTY PRODUCTS INC.

By____________________________
Title:
JAMES P. ROGERS
VICE PRESIDENT & TREASURER

Subsidiary Guarantors

ISP (PUERTO RICO) INC.
ISP ENVIRONMENTAL SERVICES INC.
ISP FILTERS INC.
ISP GLOBAL TECHNOLOGIES INC.
ISP INTERNATIONAL CORP.
ISP INVESTMENTS INC.
ISP MANAGEMENT COMPANY, INC.
ISP MINERAL PRODUCTS INC.
ISP MINERALS INC.
ISP REAL ESTATE COMPANY, INC.
ISP REALTY CORPORATION
VERONA INC.
BLUEHALL INCORPORATED
ISP VAN DYK INC.

By____________________________
Title:
JAMES P. ROGERS
VICE PRESIDENT & TREASURER

Amendment No. 1 to Credit Agreement

Banks

Commitment	
$35,000,000	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By__________ Title: Managing Director
$35,000,000.00	The Bank of New York By__________ Title:
$35,000,000.00	The Bank of Nova Scotia By__________ Title:
$25,000,000.00	Banque Paribas By__________ Title: By__________ Title:
$25,000,000.00	Continental Bank, N.A. By__________ Title:
$25,000,000.00	Credit Lyonnais New York Branch as Co-Agent and a Bank By__________ Title: Credit Lyonnais Cayman Island Branch as a Bank By__________ Title:

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By________________________ Title:
$23,333,333.33	The First National Bank of Boston By________________________ Title:
$23,333,333.34	Fleet Bank, N.A. By________________________ Title:
$23,333,333.33	Mellon Bank, N.A. By________________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By________________________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By________________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By________________________ Title: By________________________ Title:
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By________________________ Title:

Commitment

$ 14,000,000.00	National City Bank By__________________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By__________________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By__________________ Title: By__________________ Title:
$ 9,000,000.00	LTCB Trust Company By__________________ Title:
$ 14,000,000.00	Societe Generale By__________________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By__________________ Title:

The Agent

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By____________________________

Amendment No. 1 to Credit Agreement

EXHIBIT 10.3

AMENDMENT NO. 2

AMENDMENT NO. 2 dated as of December 23, 1992, among ISP CHEMICALS INC., a Delaware corporation (together with its successors and permitted assigns, "ISP Chemicals"); ISP TECHNOLOGIES INC., a Delaware corporation (together with its successors and permitted assigns, "ISP Technologies"; ISP Technologies and ISP Chemicals are referred to herein collectively as the "Borrowers" and individually as a "Borrower"); INTERNATIONAL SPECIALTY PRODUCTS INC. (together with its successors and permitted assigns, "ISP"); each of the Subsidiaries of ISP identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto (each such Subsidiary, together with its successors and permitted assigns, being referred to herein collectively as the "Subsidiary Guarantors" and individually as a "Subsidiary Guarantor"); the financial institutions listed on the signature pages hereof (each, together with its successors and permitted assigns, a "Bank"); and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), acting as administrative agent in the manner and to the extent described in Section 11 of the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Agent").

The Borrowers, ISP, the Subsidiary Guarantors, the Banks and the Agent are parties to a Credit Agreement dated as of July 23, 1992, as amended by Amendment No. 1 dated as of October 15, 1992 (as so amended and in effect on the date hereof, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by making of loans and issuing letters of credit) to be made by said Banks to or for account of the Borrowers in an aggregate principal or face amount not exceeding $400,000,000. The Borrowers, ISP, the Subsidiary Guarantors, the Banks and the Agent wish to amend the Credit Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No. 2, terms defined in the Credit Agreement and are used herein as defined therein.

Section 2. Amendment. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, Section 9.06(k) of the Credit Agreement shall be amended to read in its entirety as follows:

"(k) Indebtedness, in addition to that permitted under clauses (a) through (j) above, in an aggregate principal amount at any time outstanding not exceeding

(i) $120,000,000, but (x) only if, after October 1, 1992 and prior to March 31, 1993, ISP and/or its Subsidiaries (other than Designated Subsidiaries) shall have issued in a public offering under the Securities Act of 1933, as amended, Indebtedness in an aggregate principal amount of $100,000,000 that matures at least seven years from the date of such issuance and (y) only for periods after the date of such issuance, or

(ii) $100,000,000, under any other circumstances and for any other periods."

Section 3. Representations and Warranties. Each of ISP and the Borrowers represents and warrants to the Banks that the representations and warranties set forth in Section 8 of the Credit Agreement are true and complete on the date hereof as if made on and as of the date hereof and as if each reference in said Section 8 to "this Agreement" included reference to this Amendment No. 2.

Section 4. Conditions Precedent. As provided in Section 2 above, the amendment to the Credit Agreement set forth in said Section 2 shall become effective, as of the date hereof, on the date of the execution and delivery of this Amendment No. 2 by (i) the Borrowers, ISP and the Subsidiary Guarantors and (ii) either the Agent and the Majority Banks or the Agent acting with the written consent of the Majority Banks.

Section 5. Ratification of Credit Agreement. The Borrowers, ISP and the Subsidiary Guarantors ratify and confirm the provision of the Credit Agreement, as amended hereby, acknowledge that references to "this Agreement" in the Credit Agreement are to the Credit Agreement, as amended hereby, and further acknowledge that, except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect.

Section 6. Miscellaneous. This Amendment No. 2 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 2 by signing any such counterpart. This Amendment No. 2 shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered as of the day and year first above written.

Borrowers

ISP CHEMICALS INC.
ISP TECHNOLOGIES INC.

By_______________________
Title: JAMES P. ROGERS
VICE PRESIDENT & TREASURER

Parent Guarantor

INTERNATIONAL SPECIALTY PRODUCTS INC.

By_______________________
Title: JAMES P. ROGERS
VICE PRESIDENT & TREASURER

Subsidiary Guarantors

ISP (PUERTO RICO) INC.
ISP ENVIRONMENTAL SERVICES INC.
ISP FILTERS INC.
ISP GLOBAL TECHNOLOGIES INC.
ISP INTERNATIONAL CORP.
ISP INVESTMENTS INC.
ISP MANAGEMENT COMPANY, INC.
ISP MINERAL PRODUCTS INC.
ISP MINERALS INC.
ISP REAL ESTATE COMPANY, INC.
ISP REALTY CORPORATION
VERONA INC.
BLUEHALL INCORPORATED
ISP VAN DYK INC.

By_______________________
Title: JAMES P ROGERS
TREASURER

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Banks

Commitment	
$25,000,000.00	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By______________ Title: Managing Director
$35,000,000.00	The Bank of New York By______________ Title:
$35,000,000.00	The Bank of Nova Scotia By______________ Title:
$25,000,000.00	Banque Paribas By______________ Title: By______________ Title:
$25,000,000.00	Continental Bank, N.A. By______________ Title:
$25,000,000.00	Credit Lyonnais New York Branch By______________ Title:
	Credit Lyonnais Cayman Island Branch By______________ Title:

Commitment	Banks
$25,000,000.00	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By Title: Managing Director
$35,000,000.00	The Bank of New York By Title:
$35,000,000.00	The Bank of Nova Scotia By Title: VP
$25,000,000.00	Banque Paribas By Title: By Title:
$25,000,000.00	Continental Bank, N.A. By Title:
$25,000,000.00	Credit Lyonnais New York Branch By Title: Credit Lyonnais Cayman Island Branch By Title:

Banks

Commitment	Banks
$25,000,000.00	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By________ Title: Managing Director
$35,000,000.00	The Bank of New York By________ Title:
$35,000,000.00	The Bank of Nova Scotia By________ Title:
26,000,000.00 ~~$25,000,000.00~~	Banque Paribas By________ Title: V.P. By________ Title: Managing Director
$25,000,000.00	Continental Bank, N.A. By________ Title:
$25,000,000.00	Credit Lyonnais New York Branch By________ Title:
	Credit Lyonnais Cayman Island Branch By________ Title:

Commitment	Banks
$25,000,000.00	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By__________ Title: Managing Director
$35,000,000.00	The Bank of New York By__________ Title:
$35,000,000.00	The Bank of Nova Scotia By__________ Title:
$25,000,000.00	Banque Paribas By__________ Title: By__________ Title:
$25,000,000.00	Continental Bank, N.A. By [signature] Title: Managing Director
$25,000,000.00	Credit Lyonnais New York Branch By__________ Title:
	Credit Lyonnais Cayman Island Branch By__________ Title:

Commitment	Banks
$25,000,000.00	THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) By Title: Managing Director
$35,000,000.00	The Bank of New York By Title:
$35,000,000.00	The Bank of Nova Scotia By Title:
$25,000,000.00	Banque Paribas By Title: By Title:
$25,000,000.00	Continental Bank, N.A. By Title:
$25,000,000.00	Credit Lyonnais New York Branch By Title: Sebastian Rocco First Vice President Credit Lyonnais Cayman Island Branch By Title: Sebastian Rocco Authorized Signature

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By [signature] Title: V.P.
$23,333,333.33	The First National Bank of Boston By________ Title:
$23,333,333.34	Fleet Bank, N.A. By________ Title:
$23,333,333.33	Mellon Bank, N.A. By________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By________ Title: By________ Title:

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By________________ Title:
$23,333,333.33	The First National Bank of Boston By________________ Title: Director
$23,333,333.34	Fleet Bank, N.A. By________________ Title:
$23,333,333.33	Mellon Bank, N.A. By________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By________________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By________________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By________________ Title: By________________ Title:

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By__________ Title:
$23,333,333.33	The First National Bank of Boston By__________ Title:
$23,333,333.34	Fleet Bank, N.A. By Title: Senior Vice President
$23,333,333.33	Mellon Bank, N.A. By__________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By__________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By__________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By__________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By__________ Title: By__________ Title:

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By____________________ Title:
$23,333,333.33	The First National Bank of Boston By____________________ Title:
$23,333,333.34	Fleet Bank, N.A. By____________________ Title:
$23,333,333.33	Mellon Bank, N.A. By____________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By____________________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By____________________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By____________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By____________________ Title: By____________________ Title:

Commitment

$35,000,000.00	NationsBank of North Carolina, N.A. By____________________ Title:
$23,333,333.33	The First National Bank of Boston By____________________ Title:
$23,333,333.34	Fleet Bank, N.A. By____________________ Title:
$23,333,333.33	Mellon Bank, N.A. By____________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By [signature] Title: Joint General Manager
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By____________________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By____________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By____________________ Title: By____________________ Title:

Commitment	
$35,000,000.00	NationsBank of North Carolina, N.A. By________________ Title:
$23,333,333.33	The First National Bank of Boston By________________ Title:
$23,333,333.34	Fleet Bank, N.A. By________________ Title:
$23,333,333.33	Mellon Bank, N.A. By________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By________________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By [signature] Title: Vice President
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By________________ Title: By________________ Title:

Commitment

$35,000,000.00	NationsBank of North Carolina, N.A. By____________________ Title:
$23,333,333.33	The First National Bank of Boston By____________________ Title:
$23,333,333.34	Fleet Bank, N.A. By____________________ Title:
$23,333,333.33	Mellon Bank, N.A. By____________________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch By____________________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch By____________________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.) By____________________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited By____________________ Title: By____________________ Title:

Commitment

$35,000,000.00	NationsBank of North Carolina, N.A.	By______________ Title:
$23,333,333.33	The First National Bank of Boston	By______________ Title:
$23,333,333.34	Fleet Bank, N.A.	By______________ Title:
$23,333,333.33	Mellon Bank, N.A.	By______________ Title:
$ 14,000,000.00	The Sumitomo Bank, Limited, New York Branch	By______________ Title:
$ 14,000,000.00	The Yasuda Trust and Banking Company Limited, New York Branch	By______________ Title:
$10,000,000.00	Mitsui Trust Bank (U.S.A.)	By______________ Title:
$ 9,000,000.00	The Daiwa Bank, Limited	By Ronald Gale Title: Ronald Gale - Vice President By [illegible] Title: VP

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By ______ Title: [illegible] Vice President
$14,000,000.00	National City Bank By ______ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By ______ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By ______ Title: By ______ Title:
$ 9,000,000.00	LTCB Trust Company By ______ Title:
$ 14,000,000.00	Societe Generale By ______ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By ______ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By________ Title:
$14,000,000.00	National City Bank By Michael P Burns Title: Account Officer
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By________ Title: By________ Title:
$ 9,000,000.00	LTCB Trust Company By________ Title:
$ 14,000,000.00	Societe Generale By________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By________ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By__________ Title:
$14,000,000.00	National City Bank By__________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By Hideaki Mori Title: Vice President
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By__________ Title: By__________ Title:
$ 9,000,000.00	LTCB Trust Company By__________ Title:
$ 14,000,000.00	Societe Generale By__________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By__________ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By____________________ Title:
$14,000,000.00	National City Bank By____________________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By____________________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By Charles [illegible] Title: VP By [illegible] Title: FVP
$ 9,000,000.00	LTCB Trust Company By____________________ Title:
$ 14,000,000.00	Societe Generale By____________________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By____________________ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By________________ Title:
$14,000,000.00	National City Bank By________________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By________________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By________________ Title: By________________ Title:
$ 9,000,000.00	LTCB Trust Company By [signature] Title: Senior Vice President
$ 14,000,000.00	Societe Generale By________________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By________________ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By__________ Title:
$14,000,000.00	National City Bank By__________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By__________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By__________ Title: By__________ Title:
$ 9,000,000.00	LTCB Trust Company By__________ Title:
$ 14,000,000.00	Societe Generale By [signature] Title: VICE PRESIDENT
$ 14,000,000.00	Marine Midland Bank, N.A. By__________ Title:

Commitment	
$ 9,000,000.00	Morgan Guaranty Trust Company of New York By____________________ Title:
$14,000,000.00	National City Bank By____________________ Title:
$ 9,000,000.00	The Nippon Credit Bank, LTD., New York Branch By____________________ Title:
$ 9,000,000.00	Banca Commerciale Italiana New York Branch By____________________ Title: By____________________ Title:
$ 9,000,000.00	LTCB Trust Company By____________________ Title:
$ 14,000,000.00	Societe Generale By____________________ Title:
$ 14,000,000.00	Marine Midland Bank, N.A. By [signature] Title: AVP

EXHIBIT 10.14

INTERNATIONAL SPECIALTY PRODUCTS
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470

UEL J. HEYMAN
AND CHIEF EXECUTIVE OFFICER

June 16, 1992

Mr. Alan Z. Senter
9 North Ridge Road
Westport, Connecticut 06880

Dear Alan:

I am pleased to confirm our offer and (with your countersignature to this letter) your acceptance of the position of Executive Vice President and Chief Financial Officer, and member of the Board of Directors, of International Specialty Products Inc. ("ISP"), reporting to me. This offer is contingent upon approval of your appointment and this Agreement by the ISP Board of Directors and your successful completion of a pre-employment physical examination which we will arrange for you. I will recommend to the Board that your appointment and this Agreement be approved. ISP will schedule your physical examination promptly after you return an executed copy of this Agreement and will request approval of your appointment and this Agreement by the Board of Directors promptly after your successful completion of the examination. Moreover, we agree that it will not be in the best interests of either you or ISP for there to be early public disclosure of your appointment. As a result, you agree that, in informing Xerox Corporation ("Xerox") of your intention to leave, you agree to request that Xerox keep the name of your new employer confidential until ISP makes such a public announcement. In addition, neither you nor ISP will announce your appointment to the ISP organization or the public until such time as ISP deems appropriate. On your first day of employment with ISP, I will also recommend to the Board of Directors of GAF Corporation ("GAF") that you be appointed Executive Vice President and Chief Financial Officer, and a member of the Board of Directors, of GAF.

The details of our understanding are as follows:

1. Base Salary. Your initial base salary will be $300,000 per year, which is a monthly rate of $25,000. Your salary will be reviewed on an annual basis.

2. Incentive Compensation. You will be eligible to participate in ISP's Executive Incentive Compensation ("EIC") program. You will be paid EIC at the same time as EIC is paid to other participants in the ISP EIC program. With respect to EIC:

(a) For 1992, you will receive a pro rata portion of an annual award of $180,000. Thus, and as an example, if you commence your employment with ISP on July 1, 1992, your EIC for 1992 will be $90,000. Later commencement of employment will result in a proportionate downward adjustment of the pro rata amount.

(b) For years 1993 and thereafter, your EIC will be based on your performance, as well as the performance of ISP. You acknowledge that for such subsequent years there will be no guaranteed EIC; however, assuming that you and ISP perform as we hope and expect you and it will, it can be anticipated that EIC could be in the range of 60% to 100% of your base salary.

3. Stock Options. I will recommend to the Compensation and Pension Committee of the Board of Directors (the "Committee") that:

(a) At the first meeting of the Committee after the commencement of your employment, you be granted non-qualified options to purchase 85,000 shares of ISP's common stock under the terms of the ISP 1991 Incentive Plan for Key Employees (the "Plan"). A copy of the Plan as currently in effect is attached to this Agreement. Thereafter, you will be eligible for additional awards under the Plan, but there is no guarantee that you will be awarded options in any given year.

(b) The options granted to you pursuant to Section 3(a) above be exercisable for nine years from their date of grant and any such options which are unvested at the time and in the event of a "Change in Control" of ISP, as defined in the Plan, be vested in the event that, in addition to such Change in Control, the conditions of Section 4(e) below are also met.

4. Pension. Subject to clauses (b)(ii) and (d) below, you will be eligible to receive from ISP an annual pension benefit (the "Pension") of up to $120,000 per year and if you

die while receiving a pension and leaving a surviving spouse, your spouse will be entitled to receive for her life an annual payment equal to 100% of the portion of the Pension that you were receiving immediately prior to your death. Your right to receive the Pension; the amount of the Pension to which you will be entitled; and the method of payment of the Pension are as follows:

(a) Subject to clauses (b)-(d) below, the Pension will vest in accordance with the following schedule:

Date	Amount Vested on Such Date
November 8, 1996	$ 50,000
November 8, 1997	$ 60,000
November 8, 1998	$ 70,000
November 8, 1999	$ 85,000
November 8, 2000	$100,000
November 8, 2001	$120,000

(b) Notwithstanding clause (a) above:

(i) Should you die at any time prior to November 8, 1996, leaving a surviving spouse, your spouse will be entitled to receive for her life an annual payment of $50,000.

(ii) Should you voluntarily terminate your employment with ISP prior to November 8, 1996, or should you die at any time, whether before or after November 8, 1996, without a surviving spouse, no pension will be payable to you or your estate, as the case may be.

(iii) Should you die after November 8, 1996, but prior to the termination of your employment with ISP, and if you die leaving a surviving spouse, your spouse will be entitled to receive for her life an annual payment of the portion of the Pension in which you were vested on the date of your death.

(c) Notwithstanding clause (a) above, in the event during your employment with ISP you are permanently disabled (such disability to be determined in accordance with then existing policy) or your employment with ISP is terminated involuntarily other than for "cause" (as defined in clause (d) below), subject to clause (b)(ii) above, you will be entitled to receive payment of the portion of the Pension in which you are vested at the date of such permanent disability or involuntary termination, except that in the event such permanent disability or involuntary termination occurs prior to November 8, 1996, you will you be deemed to have been vested in $50,000 of the Pension. Payments of the vested portion of the pension will commence (i) in the event such permanent disability or involuntary termination occurs prior to November 8, 1996, commencing December 1, 1996, or (ii) in the event such permanent disability or involuntary termination occurs after November 8, 1996, on the first day of the month following the month in which such permanent disability or involuntary termination occurs.

(d) Notwithstanding clause (a) above, if your employment with ISP is terminated for cause, then, (i) if such termination occurs prior to November 8, 1996, the entire pension will be deemed forfeited and (ii) if such termination occurs after November 8, 1996, ISP in its sole discretion may declare all or any portion (whether vested or unvested) of the pension forfeited. For purposes of this Agreement, "cause" will mean (x) your conviction of a crime involving moral turpitude or (y) in carrying out your duties on behalf of ISP, your commission of an act of willful or gross misconduct.

(e) Notwithstanding clause (a), in the event of a Change in Control, and the satisfaction of the conditions in both subclauses (x) and (y) below (a "Change in Control Vesting Event"), you will be deemed to have been fully vested in the Pension and, subject to clause (b)(i) above, you will be entitled to receive payments of the Pension (i) in the event such Change in Control Vesting Event occurs prior to November 8, 1996, commencing December 1, 1996, or (ii) in the event a Change in Control Vesting Event occurs after November 8, 1996, commencing on the first day of the month following the month in which the Change in Control Vesting Event occurs. For purposes of this Agreement a Change in Control Vesting Event will be deemed to have occurred only when, in addition to a Change in Control, the following conditions have been met:

(x) I personally cease to be an executive officer (the term "executive officer" will be deemed to include Chairman of the Board) of ISP; and

(y) within one year after the later to occur of a Change in Control and the event in subclause (x) above, any of the following events occurs:

(1) your status, duties or responsibilities with ISP or its successor are reduced;

(2) your base salary is reduced from that in effect immediately prior to such event;

(3) ISP or its successor fails to continue to provide you with employee benefits which in the aggregate are no less favorable than those provided to you immediately prior to such event; or

(4) ISP or its successor requires you to relocate to a location outside the metropolitan area in which you were employed immediately prior to such event.

(g) Amounts due to you and/or your spouse under this Section 4 will be paid to you, in the sole discretion of ISP, in annual, semi-annual, quarterly or monthly installments commencing (except as provided in clause (c)(i) above) on the first day of the month following the month in which your employment with ISP terminates.

(h) You understand that ISP will have no obligation to fund the Pension in order to make any payments under it.

5. Medical, Dental and Life Insurance. For all periods during your employment with ISP during which you are currently covered by or eligible to participate (whether with or without cost to you) in medical, dental, group life insurance and retiree medical, dental or group life insurance plans and/or programs maintained by Xerox, you agree to be covered by such Xerox plans and/or programs and you will waive your right to participate in such plans and/or programs maintained by ISP. For any periods during which you are not currently eligible to participate in any such plans and/or programs maintained by Xerox, you will be eligible to participate in ISP medical, dental and group life insurance and retiree medical, dental and group life insurance plans and/or programs in the same manner and to the same extent as other ISP executives.

6. Other ISP Benefit Plans. You will be eligible to participate in all other ISP benefit plans, including long-term disability, business travel accident, and the GAF Corporation Capital Accumulation Plan ("GAFCAP"), in the same manner and to the same extent as other ISP executives.

7. Relocation. In the event you elect, within one year after the first day of your employment by ISP, to relocate your principal residence either to New York, New York, or to a location in New Jersey within 35 miles of 1361 Alps Road, Wayne, New Jersey, whether through the execution of a contract to purchase an existing house or to construct a new home, ISP will reimburse you for the following reasonable out-of-pocket expenses you incur in connection with such relocation: legal fees; a real estate commission of not in excess of 6% in connection with the sale of your current residence; mortgage application, survey, appraisal and similar fees; up to 3 "points" in connection with the securing of a mortgage for any

new residence; moving expenses (of a moving company selected by ISP); and other incidental costs of such relocation. To the extent these costs and expenses are not deductible by you on your tax return, ISP will fully gross up any payments made to you in order that you will have no tax liability for such costs and expenses.

8. Company Automobile. ISP will provide you with a leased automobile for your business and personal use in accordance with company policy and Internal Revenue Service regulations. For commuting between your home and ISP headquarters and for other business-related purposes on Mondays through Fridays (excluding ISP holidays), ISP will also provide you with a chauffeur, who will be an ISP employee selected by ISP and reasonably acceptable to you.

9. Vacation. You will be entitled to four weeks of paid vacation per year.

10. Business Travel. Within the United States, all business travel by air will be coach class. Overseas business travel will generally be business class, except that you may travel first class on trips to Asia, Australia and other countries within the Pacific Rim.

11. Involuntary Termination Other Than For Cause. In the event your employment with ISP is terminated involuntarily at any time other than for cause, ISP will continue to pay you your then base salary, on a semi-monthly basis, from the last date of your employment until the last day of the applicable severance period (the "Severance Period"):

Termination Date	Severance Period
On or before July 31, 1994	Twelve months
After July 31, 1994	Period then applicable to ISP executive officers generally

If at any time during the Severance Period you accept new employment at a base salary equal to or higher than your base salary on the date of termination of your employment by ISP, the payments pursuant to this Section 11 will cease at the effective date of such new employment. If at any time during the Severance Period you accept new employment at a base salary less than that in effect on the date of the termination of your employment by ISP, the payments pursuant to this Section 11 will be reduced by that amount. If you are not eligible to participate in Xerox's medical and dental plans during all or any part of the Severance Period, you will be eligible to participate in ISP's medical and dental plans under the same terms as applicable to active employees of ISP unless you commence new employment during the Severance Period, in which event such eligibility will terminate on the first date of such new employment; however, during the Severance Period you will no longer be eligible to participate in GAFCAP and ISP will not provide, and you will not be eligible for, life insurance, long term disability, business travel accident or any other insurance or to participate in any other benefit plans that ISP provides or makes available to its employees.

12. Other Directorships. You acknowledge that it is ISP policy not to authorize its officers and employees to serve as members of the boards of directors or governing bodies of other corporations or other entities (other than trade associations of which ISP is a member or philanthropic or similar organizations). Notwithstanding the foregoing, and so long as such service does not unreasonably interfere with your duties on behalf of ISP, you may continue to serve as a non-employee director of Exel Insurance Company ("Exel") and to receive such compensation as Exel customarily pays its non-employee directors for such service. You agree not to accept any directorship or similar position with any other entity (except those specified in the first sentence of this Section 12) without the prior written consent of the Chairman of the Board of Chief Executive Officer of ISP.

13. Noncompetition. You acknowledge that, as an ISP executive, you will have access to confidential business and technical information, including but not limited to trade secrets and proprietary know-how, of ISP. In consideration of the obligations undertaken by ISP in this Agreement, you agree that, for a period of three years after termination for any reason of your employment with ISP (the "Noncompete Period"), without ISP's prior written consent you will not compete, either individually or as a principal or an employee of any entity, with ISP anywhere in the world. In the event you do engage in competition with ISP during the Noncompete Period without ISP's prior written consent, ISP may, in its sole discretion, and in addition to any other remedies it may have at law or in equity, terminate any further obligation to make any payment or reimbursement contemplated by this Agreement.

14. Commencement of Employment. You agree to use your best efforts to commence your employment with ISP on or before July 13, 1992; however, in no event will you commence your employment with ISP later than July 27, 1992.

15. No Contract of Employment. You acknowledge that nothing in this Agreement creates any obligation on the part of ISP to continue to employ you in any capacity; rather, you are an employee at will and your employment by ISP may be terminated at any time with or without cause, provided, however, that, following such termination ISP will remain responsible for any obligations ISP has assumed in this Agreement as a result of the termination of your employment.

I am excited that you will be joining the organization. We are confident that you will play a key hands-on leadership role and will make an invaluable contribution to ISP's future success.

Sincerely,

Samuel J. Heyman

AGREED AND ACCEPTED:

Alan Z. Senter

Enc.

SJH:DF

EXHIBIT 10.15

INTERNATIONAL SPECIALTY PRODUCTS
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470

SAMUEL J. HEYMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

December 9, 1992

Mr. Barry P. Simon, Esq.
5115 Bayou Timber
Houston, Texas 77056

Dear Barry:

I am pleased to confirm our offer and (with your countersignature to this letter) your acceptance of the position of Executive Vice President and General Counsel and Secretary, and member of the Board of Directors, of International Specialty Products Inc. ("ISP" or the "Company") reporting to me. As General Counsel and Secretary, you will be the Chief legal officer of the Company with all Company attorneys reporting directly to you except that the the head of our asbestos litigation effort will report to both you and myself. I will recommend to the Board that your appointment and this Agreement be approved. We agree that it will not be in the best interests of either you or ISP for there to be early public disclosure of your appointment. As a result, you agree that, in informing Continental Airlines Holding, Inc. ("Continental") of your intention to leave, you agree to request that Continental keep the name of your new employer confidential until ISP makes such a public announcement. In addition, neither you nor ISP will announce your appointment to the ISP organization or the public until such time as ISP deems appropriate. On your first day of employment with ISP, I will also recommend to the Board of Directors of GAF Corporation ("GAF") that you be appointed Executive Vice President and General Counsel and Secretary, and a member of the Board of Directors, of GAF and its subsidiaries.

The details of our understanding are as follows:

1. Base Salary. Your initial base salary will be $290,000 per year, which is a monthly rate of $24,166.66. Your salary will be reviewed on an annual basis.

2. Incentive Compensation. You will be eligible to participate in ISP's Executive Incentive Compensation ("EIC") program. You will be paid EIC at the same time as EIC is paid to other participants in the EIC program. With respect to EIC:

(a) For 1993, you will have a target bonus of 65% of salary with an opportunity up to 100%. In addition, you will be guaranteed a minimum of $100,000 which will be paid to you in 1993 in four quarterly installments of $25,000.

(b) For years 1994 and thereafter, your EIC will be based on your performance, as well as the performance of the Company. You acknowledge that for such subsequent years there will be no guaranteed EIC; however, assuming that you and the Company perform as we hope and expect you and it will, it can be anticipated that EIC could be in the range of 65% to 100% of your base salary.

3. Stock Options. I will recommend to the Compensation and Pension Committee of the Board of Directors (the "Committee") that at the first meeting of the Committee after the commencement of your employement, you be granted non-qualified options to purchase 35,000 shares of ISP's common stock under the terms of the ISP 1991 Incentive Plan for Key Employees (the "Plan"). The options granted to you shall be exercisable for nine years from their date of grant. If a Change of Control of the Company (as defined in the Plan) shall occur and any options granted to you pursuant to this Section 3 are unvested at the time of the Change of Control, such unvested options shall be vested and become exercisable if the following additional conditions are met:

(x) I personally cease to be an executive officer (the term "executive officer" will be deemed to include Chairman of the Board) of ISP; and

(y) within one year after the later to occur of the Change of Control and the circumstance described in clause (x) (the later of the two being referred to as an "Event"), any of the following occurs:

(1) there is a material diminution of your responsibilities as set forth herein;

(2) there is a reduction in your base salary from that in effect immediately prior to the Event which is greater than 10% (other than a base salary reduction in an equal percentage amount experienced by other senior executives of the Company or its successor);

(3) ISP or its successor fails to continue to provide you with employee benefits which in the aggregate are no less favorable than those provided to you immediately prior to the Event; or

(4) ISP or its successor requires you to relocate outside the metropolitan area in which you were employed immediately prior to the Event.

After the additional grant of options, you will be eligible for additional awards under the Plan, but there is no guarantee that you will be awarded options in any given year. A copy of the Plan as currently in effect is attached to this Agreement.

4. Equity Participation. You will purchase 1/2 of 1% of the total outstanding shares of GAF Common Stock for a purchase price equal to the determined book value per share of GAF Common Stock as of December 31, 1992. GAF (or one of its affiliates) will loan you on a non-recourse basis the purchase price for the shares. The loan will be secured by the stock purchased by you. Any dividends or distributions paid on such stock in securities or property will also be pledged to secure the loan. The indebtedness will bear interest at the rate of six percent (6%) per annum. Any dividends or distributions paid in cash on the stock will be applied to pay accrued and unpaid interest; to the extent such cash dividends or distributions exceed accrued interest, such cash dividends or distributions will be applied to reduce principal; and to the extent such cash dividends or distributions exceed principal and interest, such excess will be placed in escrow with an escrow agent selected by the Company and reasonably acceptable to you, pursuant to an escrow agreement in customary form. The cash placed in escrow (and income thereon) shall be paid to you on the fifth anniversary of your starting date with the Company if you are employed by the Company at that time. If your employment with the Company is terminated for any reason prior to the fifth anniversary of your starting date, there will be released from escrow to you that percentage of the monies placed in escrow (and income thereon) equal to 20% multiplied by the number of whole years which you have been employed by the Company, and the remainder of the amounts held in escrow will be paid to the Company. Your shares of GAF Common Stock (and any shares of subsidiaries of GAF, including ISP, received by you as a distribution on your GAF Common Stock) will be subject to the restrictions on transfer provision (except that the normal vesting will be 20% a year for the five-year period after you join the Company) and other provisions set forth in the enclosed Prospectus, with appropriate modifications reflecting your starting date. The purchase price of any shares sold by you in accordance with such restrictions on transfer provisions or otherwise sold by you shall be applied to repay the remaining unpaid principal and accrued interest. The purchase will be completed pursuant to mutually acceptable agreements, which the Company will prepare.

5. ISP Benefit Plan. You and your spouse and eligible dependents will be eligible to participate in all ISP benefit plans and programs, without limitation, including medical, (including waiver of any pre-existing condition restriction

requirements concerning your spouse's current illness) dental, group life insurance, long-term disability, business travel accident, vacation and the GAF Corporation Capital Accumulation Plan ("GAFCAP"), in the same manner and to the same extent as other ISP executives.

6. Relocation. You have agreed, within one year after the first day of your employment by ISP, to relocate your principal residence either to New York, New York, or to a location in New Jersey within 35 miles of 1361 Alps Road, Wayne, New Jersey, whether through the execution of a contract to purchase an existing house or to construct a new home. ISP will reimburse you for the following reasonable out-of-pocket expenses you incur in connection with such relocation: legal fees; a real estate commission of not in excess of 6% in connection with the sale of your current residence; mortgage application, survey, appraisal and similar fees; up to 3 "points" in connection with the securing of a mortgage for any new residence; moving expenses (of a moving company selected by ISP); and other incidental costs including temporary living and interim commuting expenses incurred as a result of such relocation. In addition, ISP will provide you with an interest free bridge loan for up to six months if needed. To the extent these costs and expenses are not deductible by you on your tax return, ISP will fully gross up any payments made to you in order that you will have no tax liability for such costs and expenses.

7. Company Automobile. ISP will provide you with a leased automobile for your business and personal use in accordance with company policy and Internal Revenue Service regulations.

8. Vacation. You will be entitled to four weeks of paid vacation per year.

9. Business Travel. Within the United States, all business travel by air will be coach class. Overseas business travel will generally be business class, except that you may travel first class on trips to Asia, Australia and other countries within the Pacific Rim.

10. Involuntary Termination Other Than For Cause. In the event your employment with ISP is terminated involuntarily at any time other than for cause, ISP will continue to pay you your then base salary, on a semi-monthly basis, from the last date of your employment until the last day of the applicable severance period (the "Severance Period"):

Termination Date	Severance Period
On or before June 30, 1994	Twelve months
After June 30, 1994	Period than applicable to ISP executive officers generally

If at any time during the Severance Period you accept new employment at a base salary equal to or higher than your base salary on the date of termination of your employment by ISP, the payments pursuant to this Section will cease at the effective date of such new employment. If at any time during the Severance Period you accept new employment at a base salary less than that in effect on the date of the termination of your employment by ISP, the payments pursuant to this Section will be reduced by that amount. In addition, the Severance outlined above will be applicable if you are constructively terminated. Constructive termination is defined as a material diminution of your responsibilities as set forth herein or a reduction in your then current base salary which is greater than 10% (other than a base salary reduction in an equal percentage amount experienced by other senior executives of the Company).

11. Commencement of Employment. It is agreed that you will commence your employment with ISP on January 5, 1993.

12. No Contract of Employment. You acknowledge that nothing in this Agreement creates any obligation on the part of ISP to continue to employ you in any capacity; rather, you are an employee at will and your employment by ISP may be terminated at any time with or without cause, provided, however, that, following such termination ISP will remain responsible for any obligations ISP has assumed in this Agreement as a result of the termination of your employment.

Barry, I am excited that you will be joining our Company and am confident that you will make an invaluable contribution to our Company's future success.

Sincerely,

Samuel J. Heyman

SJH/lps

AGREED AND ACCEPTED:

Barry P. Simon

EXHIBIT 10.25

SEPARATION AGREEMENT AND GENERAL RELEASE

This SEPARATION AGREEMENT AND GENERAL RELEASE (sometimes hereinafter referred to as the "Agreement") is made by and between GAF Corporation (hereinafter "GAF") and International Specialty Products Inc. (hereinafter ("ISP") (GAF and ISP and their subsidiaries are hereinafter sometimes collectively referred to as the "Employers") and Stephen A. Block (hereinafter the "Employee"). The Employers and the Employee are sometimes hereinafter collectively referred to as the Parties.

WHEREAS, the Employee is employed by the Employers as Senior Vice President, General Counsel and Secretary; and

WHEREAS, the Employee has tendered his voluntary resignation to the Employers in order to accept another position; and

WHEREAS, the Employers and the Employee desire to memorialize the terms of the Employee's resignation,

NOW, THEREFORE, in consideration of the mutual promises of the Parties as set forth herein, it is hereby agreed as follows:

1. The Employee's active employment with the Employers will end on November 25, 1992 (the "Employment Termination Date").

2. The Employee acknowledges that his resignation from employment by the Employers is voluntary and that, after the Employment Termination Date, he will receive no severance or other salary continuation payments and will no longer be eligible to participate in the GAF Salaried Employees Capital Accumulation Plan ("GAFCAP"), the ISP Executive Incentive Compensation ("EIC") program (subject to paragraph 3 hereof), the GAF Non-Qualified Retirement Plan (the "Retirement Plan") (subject to paragraph 5 hereof), or in any medical, dental, prescription drug and vision benefit plans and life insurance provided by the Employers to their active employees (subject to the Employee's rights under the Consolidated Omnibus Reconciliation Act of 1986 ("COBRA"), should the Employee elect to exercise such rights).

3. On the Employment Termination Date, the Employee will receive from ISP EIC in respect of 1992 in the gross amount of $115,000, less applicable withholding taxes.

4. After the Employment Termination Date, the Employee shall no longer be eligible to continue to utilize his present leased vehicle and shall return it to the Employers.

5. The Employee shall be entitled to a vested benefit, payable commencing at age 65, in the annualized amount of $22,947.53, under the terms and conditions of the Retirement Plan.

6. The Employee shall receive payment for his GAF Common Stock and Series B Cumulative Redeemable Preferred Stock (collectively, "Equity") in accordance with the provisions of the Management Stock Subscription Agreements dated March 29, 1989 and September 15, 1990 (the "Subscription Agreements"), between GAF and the Employee, except that the "Book Value" of the GAF Common Stock, as that term is defined in the Subscription Agreements, shall be that determined and previously announced for the second

quarter of 1992, or $191.62 per share. As a result, within one year after November 25, 1992, GAF shall pay the Employee $1,034,748 for his 5,400 vested shares of GAF Common Stock; $28,000 for his 2,800 unvested shares of GAF Common Stock pursuant to the March 28, 1989 Subscription Agreement; $120,006 for his 1,800 unvested shares of GAF Common Stock pursuant to the September 15, 1990 Subscription Agreement; and $105,000 for his 1,050 shares of Series B Cumulative Redeemable Preferred Stock, plus accrued but unpaid dividends on such Preferred Stock to the date of payment.

7. If, whether prior to, on or after the Employment Termination Date, either or both of the Employers secure Directors' and Officers' Liability Insurance ("D&O Insurance") covering acts, events and/or periods during which the Employee served as a director and/or officer of either of the Employers or any of their subsidiaries, the Employee shall be a named insured under such D&O Insurance and shall continue to be so named in any renewals of such D&O Insurance (or new D&O Insurance policies) continuing to cover such acts, events and/or periods.

8. The Employee, in consideration of the payments set forth in this Agreement and on behalf of himself, his heirs, executors, administrators, successors and assigns, hereby releases and discharges the Employers, their successors, assigns, subsidiaries, affiliates, directors, officers, shareholders, representatives, agents and employees (hereinafter the "Releasees") from any and all causes of action, claims, obligations (financial or otherwise), losses, damages, costs and/or expenses (including attorney's fees) and/or other liabilities (collectively, "Liabilities") (including, but not limited to, Liabilities arising under federal, state, or local laws prohibiting discrimination in employment on the basis of sex, race, age or national origin or any other form of unlawful discrimination), in any way relating to or arising out of his

employment with the Employers and/or the cessation thereof. Notwithstanding the foregoing, this release shall not be effective:

(a) with respect to the account of the Employee under GAFCAP until the funds in such account are paid to the Employee in accordance with the terms of GAFCAP;

(b) with respect to vested accrued benefits (including any claims that are incurred but not reported prior to the Employment Termination Date) for periods ending on or prior to the Employment Termination Date under the terms of the Employers' medical, dental, prescription drug and vision benefit plans, and with respect to benefits payable pursuant to COBRA, until such benefits have been paid to the Employee;

(c) with respect to the Employee's Equity until payment for such Equity is made in accordance with the provisions of the Subscription Agreements;

(d) with respect to ISP's obligation to the Employee under the Retirement Plan; and

(e) with respect to the D&O insurance coverage referred to in paragraph 7 and the Employers' indemnification obligations to the Employee as an officer and/or director of the Employers and their subsidiaries.

If requested by GAF, the Employee shall sign an additional release regarding claims that could arise under the Subscription Agreements and substantially in the form of this paragraph 8 as a condition to his receiving payment for his Equity.

9. The Releasees, in consideration of the obligations undertaken by the Employee under this Agreement, hereby release and discharge the Employee from all Liabilities in any way relating to or arising out of the Employee's employment with the Employers or the cessation thereof, except that this release shall not be effective with respect to the Employee's obligations under this Agreement.

10. In the event that any one or more of the provisions contained herein shall for any reason be held to be unenforceable in any respect under the laws of any state or of the United States of America, such unenforceability shall not affect this SEPARATION AGREEMENT AND GENERAL RELEASE, except that with respect only to that jurisdiction holding the provision to be unenforceable, this SEPARATION AGREEMENT AND GENERAL RELEASE shall then be construed as if such unenforceable provision had never been contained herein.

11. The construction, interpretation, performance and effect of this SEPARATION AGREEMENT AND GENERAL RELEASE shall be governed by the laws of the State of New Jersey.

12. This SEPARATION AGREEMENT AND GENERAL RELEASE contains the entire agreement between the Employee and the Employers, and fully supersedes any and all prior agreements or understandings pertaining to the subject matter hereof. The Parties represent and acknowledge to each other that in executing this SEPARATION AGREEMENT AND GENERAL RELEASE neither of them has relied upon any representation or statement, not set forth herein, made by either of them or, in the case of the Employers, by any of their Releasees or by any of their Releasees' agents, representatives, or attorneys with regard to the subject matter of this SEPARATION AGREEMENT AND GENERAL RELEASE. No other promise or agreement shall be binding unless in writing and signed by the Parties.

13. BY SIGNING THIS SEPARATION AGREEMENT AND GENERAL RELEASE, THE EMPLOYEE STATES THAT:

(a) HE HAS READ IT AND HE UNDERSTANDS IT AND KNOWS HE IS GIVING UP CERTAIN RIGHTS;

(b) HE AGREES WITH EVERYTHING IN IT;

(d) HE IS AWARE OF HIS RIGHT TO CONSULT AN ATTORNEY BEFORE SIGNING IT; AND

(c) HE HAS SIGNED IT KNOWINGLY AND VOLUNTARILY.

Stephen A. Block
Stephen A. Block
October 26, 1992

GAF CORPORATION

By: James J. Strupp
James J. Strupp
Senior Vice President
October 26, 1992

INTERNATIONAL SPECIALTY PRODUCTS INC.

By: James J. Strupp
James J. Strupp
Senior Vice President
October 26, 1992

BAS1

EXHIBIT 13.1

International Specialty Products Inc.

1992 Annual Report

International Specialty Products (ISP) is one of the world's leading manufacturers of specialty chemical products. Using proprietary technology, the Company makes specialty derivative chemicals, mineral products, filter products and advanced materials. In all, ISP produces over 300 chemical additives and enhancers which are key ingredients in thousands of personal care, pharmaceutical, agricultural, beverage and industrial products manufactured by more than 6,000 of its customers worldwide.

The Company sells its products in 75 countries, with more than 55 percent of its specialty derivative chemical sales coming from outside the United States.

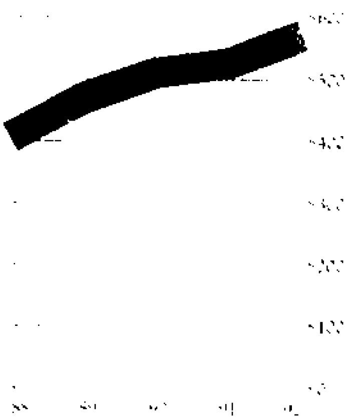
ISP is headquartered in Wayne, New Jersey. Its principal manufacturing sites are Calvert City, Kentucky, and Texas City, Texas.

ISP's stock is traded on the New York Stock Exchange under the symbol "ISP".

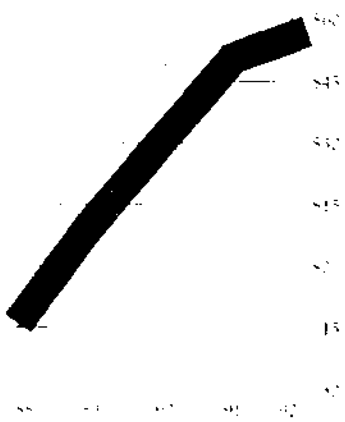
Contents

(Thousands, except per share amounts)	1992	1991	1990
Net sales	$570,757	$525,786	$511,652
Operating income	$107,664	$121,852	$116,764
Income before income taxes and cumulative effect of accounting change	$ 85,782	$ 75,682	$ 42,037
Income before cumulative effect of accounting change	$ 57,182	$ 50,646	$ 30,559
Net income	$ 50,113	$ 50,646	$ 30,559
Earnings per common share:			
Income before cumulative effect of accounting change	$ .57	$ .56	$ .38
Net income	$ .50	$ .56	$ .38

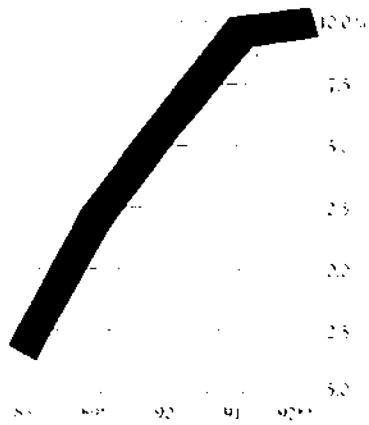
Net Sales



Net Income



Net Income



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	Customer Products	On the Cover

Specialty Derivative Chemicals

Personal Care

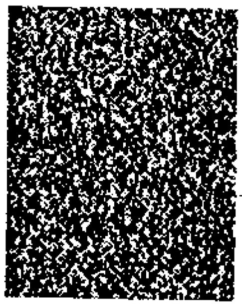
Hair Care	Hairsprays Gels Mousses Conditioning shampoos	
Skin Care	Sunscreens Decorative cosmetics Creams, lotions, gels Personal care products	

Pharmaceutical, Agricultural and Beverage

Pharmaceutical	Pharmaceutical tablets Antiseptic preparation Denture adhesive Tartar control toothpaste	
Agricultural	Pesticides	
Beverage	Beers, wines	

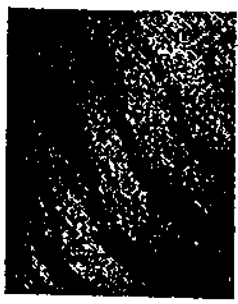
Industrial Markets and Commercial Development

Engineered Products	Printed circuit boards Paint stripper	
Coatings & Adhesives	Radiation curable coatings Hot melt adhesives	
Consumer Electronics	Color display tubes for computers Color picture television tubes	
Soaps & Detergents	Laundry detergent	
Plastics & Elastomers	Polybutylene terephthalate Polyurethane elastomers	



Mineral Products, Filters and Advanced Materials

Mineral Products	Asphalt roofing shingles Tennis courts	
Filters	Chemicals, paints, automotive, food & beverage, pharmaceuticals	
Advanced Materials		
Pharmaceutical & Medical	Iron/Multivitamin supplements Irradiation indicators	
Printing & Imaging	Instant recording film	



ISP Ingredients	Function
Gantrez®, PVP/VA, Advantage®	Hairspray fixative
PVP, PVP/VA, Stabileze™	Liquid styling aid, thickener
Gafquat® polymer	Hair fixative, conditioner
Ceraphyl®, Gafquat®	Conditioner
Escalol®, Ganex	UV absorber, water-proofing agents
Pearlescent pigments	Color, luster
Stabileze™, Ceraphyl®, Cerasynt™	Thickener, emollient, emulsifier
Germall® 115, Germall® II, Germaben® II	Preservatives
Plasdone®, Polyplasdone®	Binder, disintegrant
PVP-Iodine	Safe iodine disinfectant
Gantrez®	Bio-adhesive
Gantrez®	Tartar control
AgsolEx®, Agrimer®	Emulsify, disperse, adhere
Polyclar®	Prevents chill hazing
MICROPURE® CDF	Cleaner
PrepRite	Paint and coatings remover
Rapi-Cure® vinyl ethers	Monomer, reactive diluent
PVP, PVP/VA	Repulpable adhesive
PVP K90	Photoresist and binder
PVP K90	Photoresist and binder
PVP K30, Gaftex™ AE	Dye scavenger
Butanediol	Monomer
Butanediol	Monomer
Ceramic-coated colored granules	Provide color and protection from weather and sunlight
Crushed green stone	Quick drying, high performance tennis court surfaces
GAF Filter Bags: ACCURATE™ Sentinel®	Liquid filtration, quality enhancement, improved process control
FERRONYL® Iron	Iron supplements
RAD-SURE®	Blood irradiation indicators
PERM®, GAFCHROMIC®	Electronic recording media

Shareholder Information

ISP Locations

ANNUAL MEETING

The 1993 Annual Meeting of Shareholders is scheduled to be held at 10 a.m. Tuesday, May 25, at:
The Bank of New York
48 Wall Street, 11th Floor
New York, New York

FORM 10-K

A copy of the Company's Annual Report on Form 10-K (including financial statements and schedules), as filed with the Securities and Exchange Commission, may be obtained free of charge by writing to:
International Specialty Products
Shareholder Relations Department
1361 Alps Road
Wayne, New Jersey 07470
(201) 628-4000
(800) 526-5315

STOCK TRANSFER AGENT AND REGISTRAR

The Bank of New York
101 Barclay Street
New York, New York 10286
(800) 524-4458

INVESTOR RELATIONS

Inquiries should be directed to:
Robert K. Steidlitz
Director, Investor Relations
International Specialty Products
1361 Alps Road
Wayne, New Jersey 07470
(201) 628-3005

International Specialty Products Inc. common stock is listed on the New York Stock Exchange (symbol: "ISP").

UNITED STATES

Manufacturing
Alabama, Huntsville
Kentucky, Calvert City
Missouri, Annapolis
New Jersey, Belleville
New Jersey, Chatham
Ohio, Columbus
Pennsylvania, Blue Ridge Summit
Tennessee, Memphis
Texas, Seadrift
Texas, Texas City
Wisconsin, Pembine

R&D
Alabama, Huntsville
Kentucky, Calvert City
Maryland, Hagerstown
New Jersey, Belleville
New Jersey, Chatham
New Jersey, Wayne
Texas, Texas City

Sales
California, Irvine
Illinois, Lombard
Maryland, Hagerstown
Michigan, Livonia
New Jersey, Belleville
New Jersey, Bridgewater
New Jersey, Chatham
New Jersey, Wayne
North Carolina, Charlotte
Texas, Dallas

INTERNATIONAL

Manufacturing
Belgium, Sint-Niklaas
Brazil, Sao Paulo
Canada, Mississauga, Ontario
Singapore, Tuas

R&D
Belgium, Sint-Niklaas
Germany, Cologne
Great Britain, Guildford
Singapore, Science Park

Sales
Argentina, Buenos Aires
Australia, Box Hill, Victoria
Australia, Silverwater, N.S.W.
Austria, Vienna
Belgium, Sint-Niklaas
Brazil, Sao Paulo
Canada, Mississauga, Ontario
Canada, Ville St. Laurent, Quebec
China, Shanghai
France, Paris
Germany, Frechen
Great Britain, Guildford
Great Britain, Manchester
Hong Kong
Hungary, Budapest
Italy, Milan
Japan, Tokyo
Korea, Seoul
Mexico, Mexico City
Netherlands, Schiedam
New Zealand, Otahuhu
Portugal, Lisbon
Puerto Rico, Rio Piedras
Singapore, Southpoint
Spain, Barcelona
Sweden, Johanneshov
Switzerland, Zug
Taiwan, Taipei
Thailand, Bangkok
Venezuela, Caracas

Affiliate
GAF/Hüls Chemie GmbH
Germany, Marl

ISP Employees Photographed Throughout This Report

Page 2
Krystyna Plochocka

Page 3 (lower left)
Ratan Chaudhari

Page 3 (upper right)
Jose Figueroa

Page 4
Sotiri Papoulias (left), Salvatore Guccione

Page 5 (upper left)
Kyle Lewis (left), Christine Zayacz

Page 5 (lower right)
Dorothy Maffucci

Page 17
Jui-Chang Chuang

Fellow Shareholders:

While 1992 was a disappointing year in terms of ISP's financial performance, with earnings falling well short of the double-digit growth rates ISP has been accustomed to expect, we did achieve a host of accomplishments this past year which we believe will lay the groundwork for more substantial earnings gains in 1993 and beyond.

1992 Financial Results

For the 12-month period ended December 31, 1992, net income was $50.1 million (50 cents per share). Net income reflects a one-time charge of $7.1 million (7 cents per share) related to the adoption, retroactive to the first quarter, of Statement of Financial Accounting Standards ("SFAS") No. 106, "Accounting for Postretirement Benefits". Excluding the one-time charge, full year net income was $57.2 million (57 cents per share), compared with net income of $50.6 million (56 cents per share) for 1991. Operating income was $107.7 million versus $121.9 million in 1991, while revenues were $570.8 million versus last year's $525.8 million.

The increase in net income, before the one-time accounting charge, was attributable to a $22.1 million reduction in interest expense and a $4.1 million improvement in other income, offset by a decrease in operating income of $14.2 million and lower income from the GAF-Hüls joint venture. The lower operating income was primarily due to higher manufacturing costs, reduced pricing for the Company's intermediate and solvent products as a result of increased competition, higher selling, general and administrative costs in connection with the Company's increased marketing, sales, and research and development efforts, and a provision for obsolete inventory.

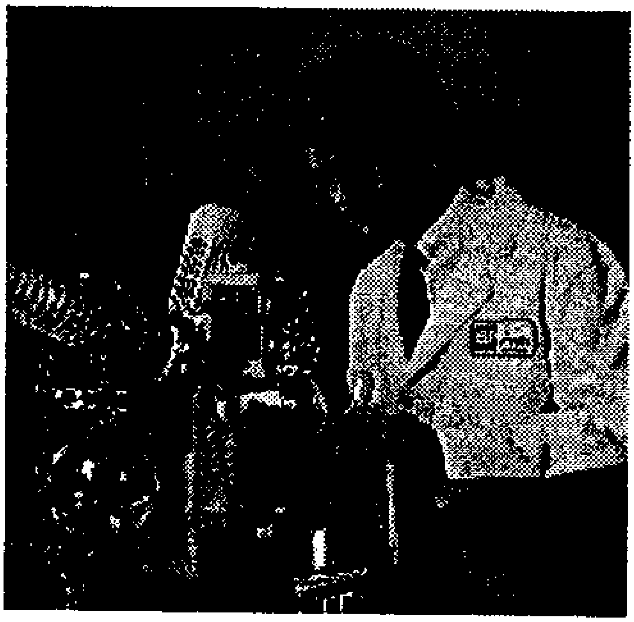
Significant Developments

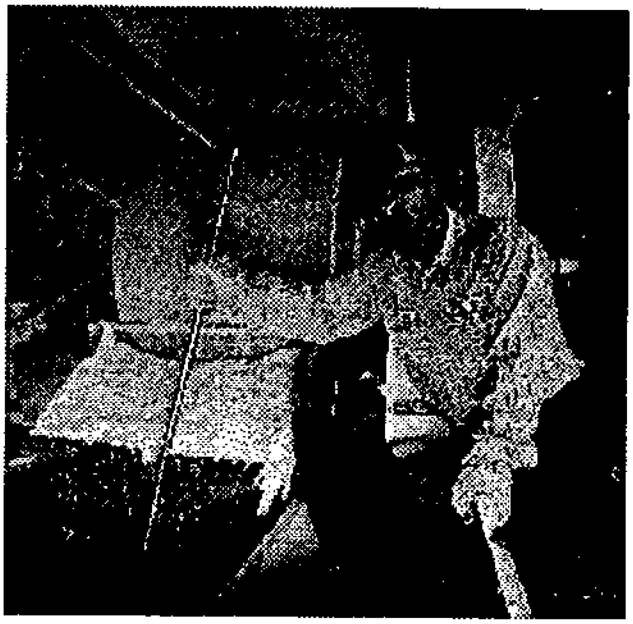
This past year was one in which ISP invested heavily for the future, in terms of research and development, marketing, and capital programs; developed a number of promising new products; finalized plans to build a new specialty derivatives manufacturing facility in Belgium; expanded the geographic reach of its businesses; completed two small but attractive and synergistic acquisitions, thereby expanding its growing personal care and pharmaceutical businesses; improved the Company's capital structure and strengthened its balance sheet with a $200 million public debt offering and a new $400 million bank credit facility; and restructured the Company's specialty derivative chemicals business into three globally focused business units.

(1) Investing for the Future

While any number of chemicals companies were implementing, in the face of a worldwide economic slowdown which has severely affected the chemicals industry, restrictions on hiring, reduced capital programs, and flat research and development budgets, ISP took a decidedly different tack this past year so as to assure the future growth of its businesses. And so the Company added to its sales and marketing staff to further the geographic penetration of its businesses into new areas of the world for ISP such as Argentina, Venezuela, Czech Republic and Slovakia, Turkey, and Poland, as well as provide greater coverage in its existing markets. The Company so also stepped up its research and development efforts, with a view toward not only accelerating its new product programs but developing process improvement efficiencies at its manufacturing facilities. Finally, ISP substantially increased its spending in 1992 in connection with a capital program consisting primarily of profit bearing projects, although including environmental and safety programs as well, involving both expansions of capacity to meet increased existing and projected future customer demand and a number of attractive cost improvement projects arising from the Company's ongoing effort to improve the cost effectiveness of its manufacturing processes.

As a result of these programs, the Company's selling, general and administrative (SG&A) expenses, which include sales, marketing, and research and development, increased over the prior year by more than $14 million (13 percent), capital expenditures increased by more than $18





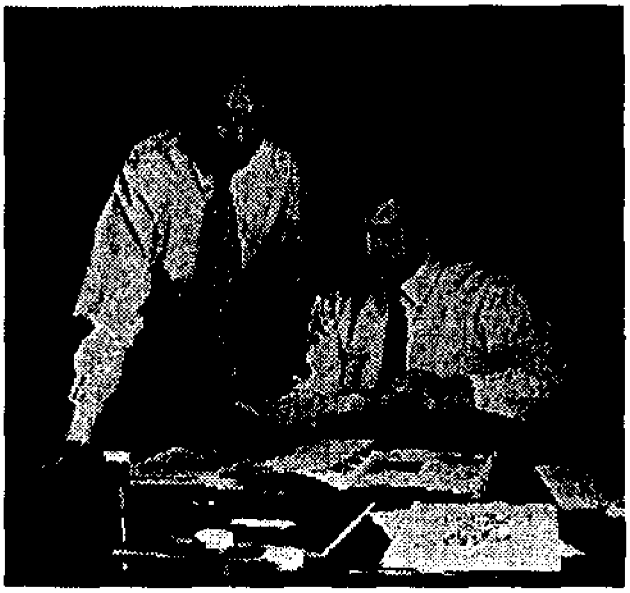
million (53 percent), and research and development expenses increased by more than $3 million (19 percent). And while these not insubstantial increases clearly had an adverse effect on the short-term performance of the Company last year, we believe that they have helped lay the groundwork for a return before long to the kind of rates of growth our Company has consistently achieved in the past.

As for 1993, it is our intention to hold SG&A expenses relatively flat, on a full year basis and when adjusted for inflation, with 1992 levels. With regard to capital programs, excluding the Belgian project which should involve capital expenditures of $25 million this year and an additional $75 million over the succeeding four years, ISP's projected 1993 expenditures are expected to match 1992 levels.

(2) New Products and Applications

ISP intensified its commitment to the Company's new product development programs this past year, as evidenced by its increased R&D budget, the hiring of a number of additional outstanding scientists, and its acquisition of the MTM business, which includes a Columbus, Ohio, facility which ISP intends to utilize in part as a semi-works facility to help accelerate commercialization of the Company's new products.

Examples of new products and applications developed this past year which show particular promise are as follows: Advantage® V, a new hair care product which should enable ISP to become a major factor in the growing cost/performance segment of the global hair spray market; Stabileze™, a skin care product utilizing a unique polymer which prevents creams and lotions from separating or settling and which



promises to be the first for ISP of a whole new line of specialty thickeners; Liquidone™, a thickener for such pharmaceutical applications as cough syrups, chewable tablets, and lozenges; Agrimax™, an agricultural product, and the newest addition to ISP's Agrimer® family, which is an environmentally sensitive and highly effective polymer enabling pesticides to adhere more readily to plants; RAD-SURE®, a film strip indicator for use in hospitals and blood banks to demonstrate the irradiation history of blood samples; and an exciting new application for ISP's line of PVP polymers for use in laundry detergents to prevent the redeposition of dyes in fabric machine washing.

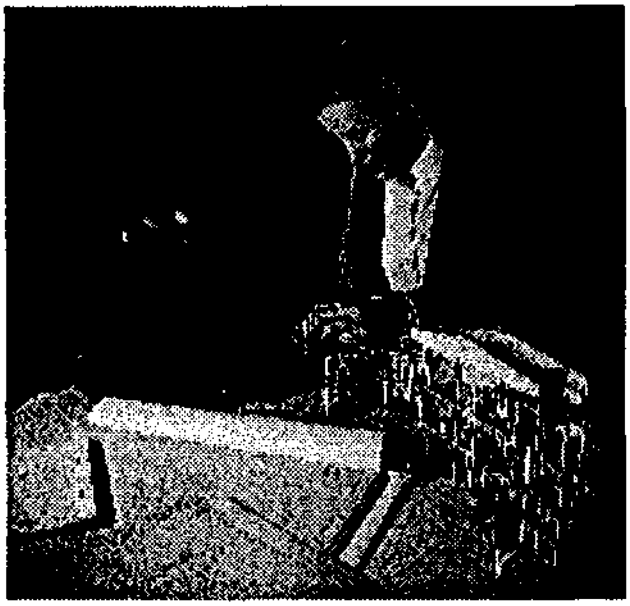
(3) The Belgian Project and Plans for an Increased Presence in the Asia/Pacific Region

ISP recently announced plans to build a new specialty chemicals manufacturing complex in Ghlin-Baudour, Belgium. The facility, which will be developed in several stages over the next four years, is scheduled to begin operations in early 1995. This facility, which will be ISP's first European manufacturing plant to produce high value-added polymer and solvent products, is designed to meet the needs of the Company's increasingly important European business, which now constitutes almost 40 percent of ISP's worldwide specialty derivatives sales. The European project will enable ISP to reduce its distribution costs, better serve its growing list of European customers with a local, reliable, fast, and efficient source of ISP products, and reduce the Company's exposure to fluctuations in foreign exchange.

ISP continued this past year to expand its business in the Asia/Pacific region. At the same time, the Company has decided to increase its local presence there, possibly with production facilities, in order to fully realize the potential of its business in that area of the world. To this end, we are evaluating a number of options for the region, which include the construction of wholly-owned facilities as well as the possibility of entering into marketing and/or manufacturing joint ventures, and this evaluation is continuing.

(4) Van Dyk and MTM Acquisitions

ISP acquired in the second quarter the Van Dyk worldwide personal care business from Mallinckrodt Specialty Chemicals, and while this was a relatively small acquisition, we view it to be a promising one. Van Dyk is a leading producer of ultraviolet absorber chemicals, the principal active ingredients in sunscreens; pearlescent pigments, which provide the pearly or lustrous color in lipsticks and other cosmetics; and emollients and emulsifiers, which are used as moisturizing and softening agents in a

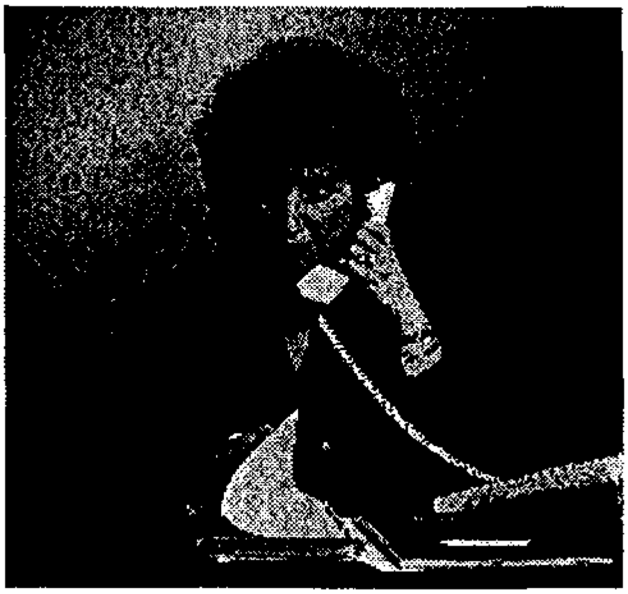


variety of sunscreens, lotions, hair products and other cosmetics.

This acquisition expands ISP's product lines serving the cosmetics industry, brings to the Company new technology, and broadens its customer base in key cosmetic and personal care markets. We have already completed the integration of Van Dyk into the balance of ISP's personal care business, achieved a number of cost efficiencies, increased the international focus of the business, and are in the process of developing several promising new products to complement the Van Dyk product line. As a result, Van Dyk, by the end of the year, was already contributing to ISP's earnings and is expected to make an even greater contribution in 1993 and beyond.

ISP acquired this past February the MTM fine chemicals business, which produces a broad range of bulk pharmaceuticals, pharmaceutical intermediates, biological buffers, and pheromones. The MTM acquisition includes a fine chemical custom manufacturing business, whose technologically sophisticated Columbus, Ohio, manufacturing facility serves the pharmaceutical, biotechnology, agricultural, and chemical process industries. This acquisition not only enables ISP to broaden its base serving these process industries with new fine chemical products, proprietary chemistries, and custom manufacturing capability, but the Columbus facility will also provide ISP with medium scale production and semi-works scale-up capability, which will not only help to expand ISP's production capacity for a range of existing products but will permit ISP to more rapidly commercialize a whole host of new products in its R&D pipeline.

The Van Dyk and MTM acquisitions, while relatively small businesses, were attractive opportunities for ISP because they are businesses with characteristics similar to our own, involving high value-added products, leading market shares, significant barriers to entry, and product lines which not only complement ISP's own but can be expanded by use of the Company's technology, marketing expertise, and worldwide distribution network. So also, our early success with Van Dyk provides evidence of ISP's ability to successfully integrate complementary businesses and take them to new heights. We currently have several other small acquisitions under consideration, and it would be our hope to make one or more additional acquisitions by the end of the year.



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(5) Strengthened Capital Structure

ISP moved this past year to strengthen its capital structure and reduce its borrowing costs, while achieving at the same time greater financial and operating flexibility. The Company successfully completed in March, 1992, a $200 million seven-year public debt offering, after attaining an investment grade rating from Moody's Investors Service. In July, ISP entered into a new five-year, $400 million bank revolving credit facility with a consortium of 20 banks, which has had the effect of substantially reducing ISP's previous bank borrowing rate and providing it with greater operating and financial flexibility.

As a result of these financings, together with the full year's effect in 1992 of the Company's substantial deleveraging as a result of its July, 1991, initial public offering, the Company was able to reduce its interest expense from $52.7 million to $30.6 million, a reduction of $22.1 million (42 percent). So also, because of the full year's effect of financings by the Company in 1992 and the fact that most of the Company's debt is written at (or has been swapped into) variable rates, and even assuming some increase in short-term interest rates as the current year progresses, the Company should be able to further reduce its borrowing costs this year.

Thomas C. Bohrer, President and Chief Operating Officer

More importantly, the refinancing moves taken by ISP in 1992 should stand the Company in good stead for some time to come, it having improved its debt rating, expanded the number of bank participants in the Company's credit facility, and reduced the interest rate spreads applicable to its borrowings, while at the same time retaining substantial additional borrowing capacity in order to provide ISP with the financial and operating flexibility to pursue the Company's plans for future growth.

Other Developments

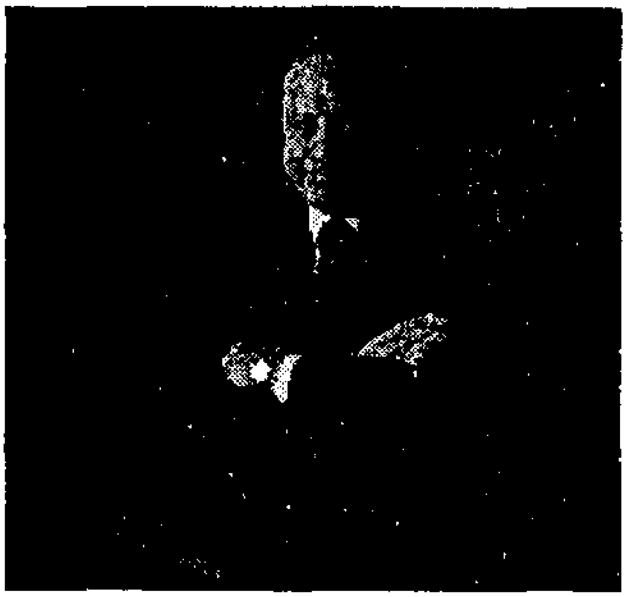
ISP's Environmental Services unit continued to make progress this past year in its effort to secure regulatory approvals to permit the installation and operation of a commercial hazardous waste disposal facility at the site of its former Linden, New Jersey, manufacturing plant. In June, 1992, the New Jersey Hazardous Waste Facilities Siting Commission found the ISP site to have satisfied 19 out of the 20 required criteria and remanded the Company's application for further hearings on the one remaining criterion involving transportation issues. These additional hearings are now underway, and we would anticipate them to be concluded in mid-1993, with a final decision by the Siting Commission expected before the end of the year. We still remain optimistic as to the eventual outcome, although progress continues to be slower than originally anticipated.

Prospects For 1993

Having just completed a disappointing year in terms of the Company's financial performance, ISP is now faced in the early stages of the new year with the challenge of regaining its earnings momentum. Moreover, the task is not made easier by the difficult economic conditions in Europe and the Far East, the off-again, on-again U.S. economic recovery, added competition from a new competitor in the intermediates and solvents area, increased regulatory and environmental requirements, and the stronger U.S. dollar.

And yet, the Company's accomplishments this past year as already chronicled here, the reorganization of ISP's specialty derivatives business into separate business units to enable management to more clearly focus on the end use industries and customers we serve, and the building of an outstanding management team over the past 18 months provides every reason to have confidence in ISP's long-term growth. While we have clearly taken actions this past year which have had an adverse effect on the Company's short-term earnings performance, they are expected on the other hand to help realize ISP's long-term objectives. At the same time, we are mindful of the importance of improving the Company's earnings performance in 1993 and are committed to that end.

On a final note, one of last year's more important accomplishments was the continued upgrading of the Company's organization. We continued this past year to attract to the Company not only a number of senior executives such as Alan Z. Senter, Executive Vice President, Chief Financial Officer, and Director; Barry P. Simon, Executive Vice President, General Counsel, Secretary and Director; James J. Conway, Senior Vice President and General Manager, Specialty Derivatives; and James P. Rogers, Vice President and Treasurer, but so also many other outstanding executives and employees throughout the Corporation in scientific, engineering, marketing, sales, and financial positions. Moreover, five new Directors joined ISP's Board of Directors this past year. In addition to Messrs. Senter and Simon, joining the Board as non-management members



SAMUEL J. HEYMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

were Charles M. Diker, Chairman of the Board of Cantel Industries Inc.; Burton J. Manning, Chairman and Chief Executive Officer, J. Walter Thompson Company; and Sanford Kaplan, a private investor. I am delighted that these pages afford me the opportunity to welcome our new Directors and employees to the Company.

We look forward to a successful 1993 and a year filled with continued accomplishments.

Sincerely,

Samuel J. Heyman
Chairman of the Board
and Chief Executive Officer

March 22, 1993

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ISP's broad range of products for the personal care industry provides distinct characteristics to thousands of well-known consumer products, including hair care, skin care, toiletries and cosmetics.

ISP CHEMICALS ENHANCE THE PERFORMANCE OF MANY OF TODAY'S BEST-KNOWN PERSONAL CARE PRODUCTS, FROM COSMETICS TO HAIR CARE.

Hair Care: A Major Global Player

Through our Gantrez® family of premium hairspray resins, we are a major global player in the hair fixatives market, where our products serve as setting agents. We strengthened that position last year by introducing several new high performance resin products. The first was Gantrez® V resin, which enables customers to reduce volatile organic compound (VOC) emissions of their hairspray products while maintaining the performance expectations of consumers. Other new entries were Advantage® CP and V polymers, which are enabling ISP to compete in additional segments of the hairspray market across the United States, Europe and Asia.

Building Our Skin Care Business

We have been no less aggressive in building the skin care portion of our personal products business. The acquisition last year of Van Dyk, a leading producer of skin care ingredients, positions ISP in an array of high-growth markets through quality products like Escalol® sunscreens, Pearl-Glo® pearlescent pigments (which provide the lustrous color in lipsticks and other cosmetics) and Ceraphyl® emollients and emulsifiers (which are used as moisturizing and softening agents in a host of personal care products).

Our skin care business took another major step forward last year with the introduction of Stabileze™ resin. Working with the Company's core acetylene chemistry, ISP scientists developed a product with a unique and unsurpassed mix of performance and aesthetic properties. The superior thickening capability of Stabileze resins combines with outstanding "skin feel" to form the basis for what is expected to be a whole new family of specialty thickeners and stabilizers.

Our skin care development activities are enhanced by a state-of-the-art laboratory which opened last year at the Company's headquarters in Wayne, New Jersey. Staffed by a team of skin care professionals, the customized lab is enabling us to focus more intently than ever on the needs of customers.

Supporting both our hair care and skin care business, Sutton Labs manufactures and supplies a broad range of preservatives to ensure the safety of personal care products worldwide. For example, Sutton's Germall® preservatives are found in many of the most popular brands of personal care products throughout the world.

ISP'S PEARLESCENT PIGMENTS (RIGHT) PROVIDE EYE MAKEUP AND OTHER COSMETICS WITH THEIR UNIQUE COLOR AND LUSTER.

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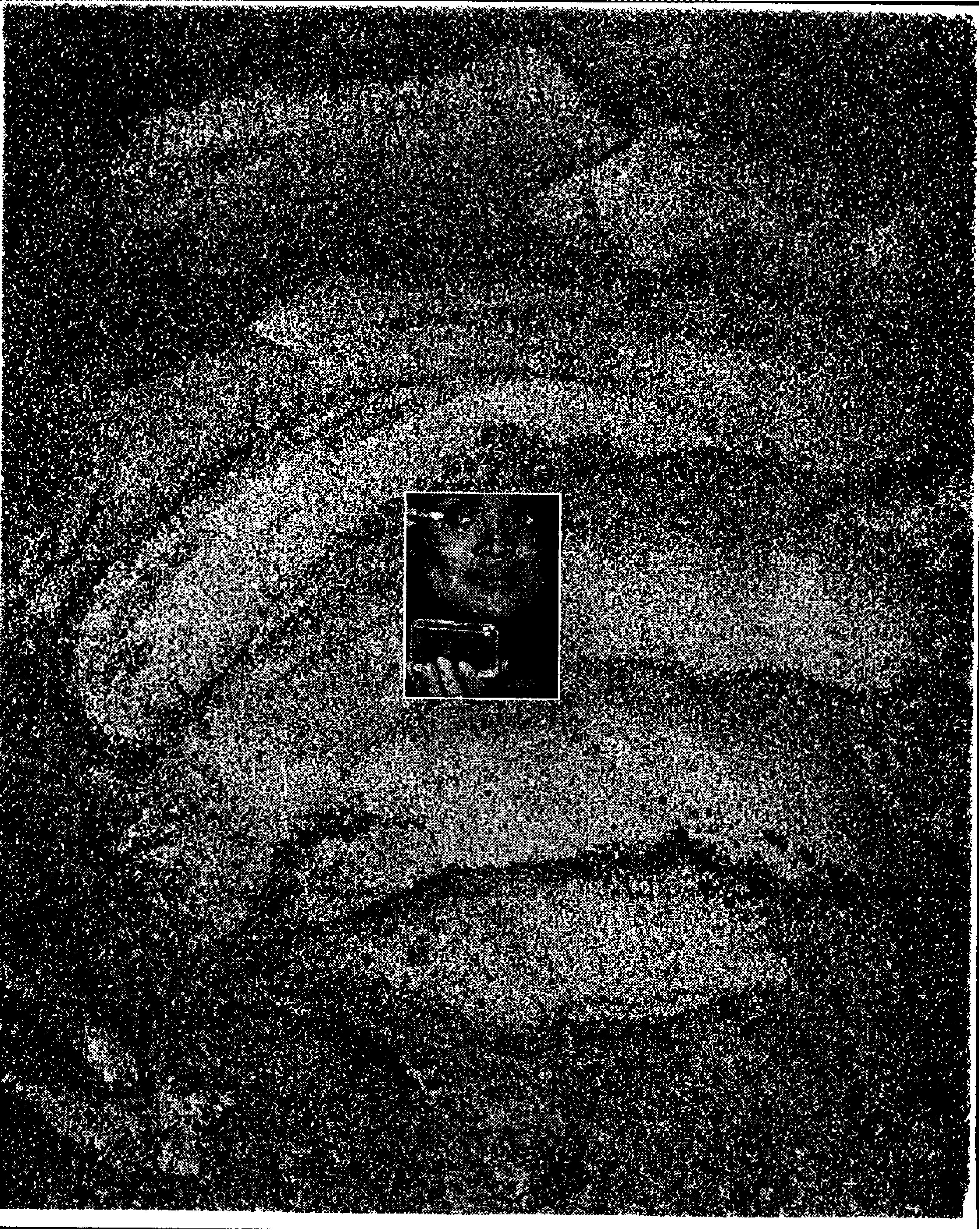


By ensuring that our products are safe for the body, we help customers meet strict regulatory requirements around the world. At the same time, we provide the performance ingredients that give our customers' products a decisive competitive edge.

Value-Added Products for Pharmaceutical

ISP scientists, for example, modified a Plasdone® polymer to meet the stringent taste and odor requirements for the liquid cough syrup market. That resulted in the introduction last year of Liquidone™, a special thickener that enables manufacturers to produce non-caloric, alcohol- and sodium-free cough syrups with the same viscosity and "mouth feel" of traditional syrup solutions. We also lowered the viscosity of a Gantrez® family polymer to enable a customer to successfully expand an existing line of tartar control toothpaste to include mouthwash.

ISP products are used in applications as diverse as agricultural pesticides and pharmaceutical tablets, both of which must meet rigorous safety and environmental standards.

Breaking New Ground in Agricultural

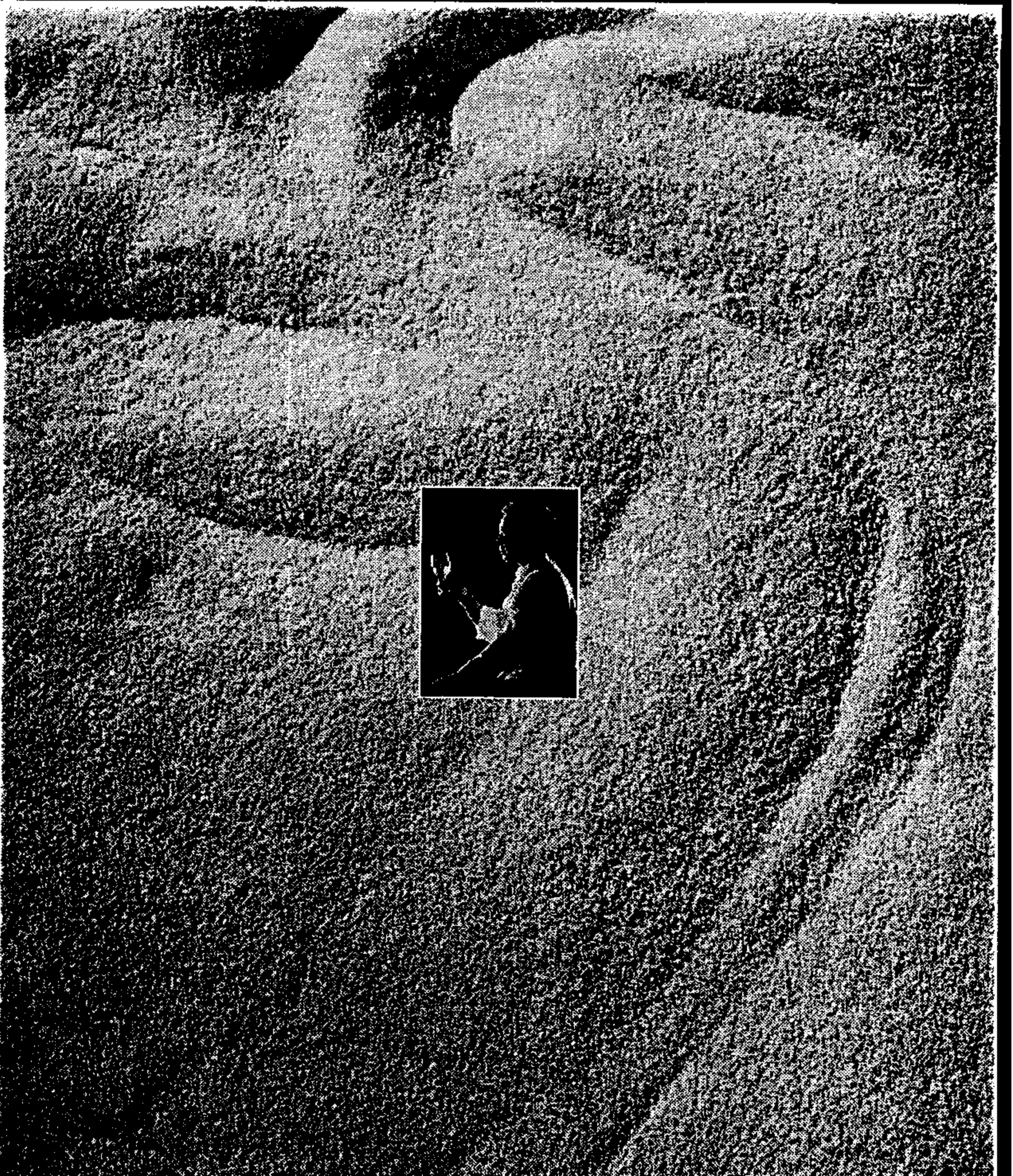
Safety also helps differentiate our line of agricultural products. As an example, ISP scientists developed the Agrimer® family of environmentally-friendly polymers for pesticide products. A new member of that family, Agrimax™ solvent, keeps the active ingredient on plants longer, thus preventing it from washing off and leaching into the soil. Agrimax also significantly reduces the amount of pesticide that must be applied.

Helping our agricultural business better respond to the needs of customers is a high visibility Customer Partnering Program. Through this initiative, our scientists and technicians work closely with customers to understand their specific problems, then determine how ISP technology and products can lead to permanent solutions.

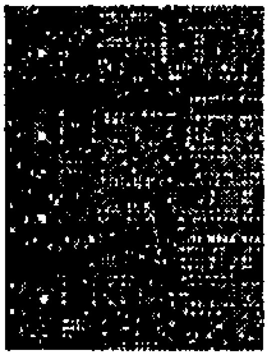
Branching Out in Beverages

In the beverage field, our focus on understanding customer needs is enabling us to target the best possible growth areas for Polyclar® polymer, a stabilizer and clarifier that is used to process wine and beer. We recently developed, for example, Polyclar® Super R, a polymer that allows for extended filtration cycles along with improved mechanical and chemical stability. This unique product, which significantly cuts regeneration losses, is expected to be introduced shortly across Europe and Asia/Pacific.

Processing with ISP's Polyclar® (right) keeps many of the world's leading beers and wines crystal clear.



By aggressively developing products that are sensitive to both the environment and the applications needs of customers, we are investing in the continued growth of our Industrial Markets and Commercial Development groups.



A strong technology base has enabled ISP to develop environmentally safe solvents for high-efficiency circuit board cleaning as well as for a wide range of household cleaning products.

Partnering With Customers

Our industrial business not only sells highly competitive commodity products, such as butanediol and NMP, but value-added specialty products such as PVP K90, used in the production of color picture television tubes and color display tubes for PC monitors.

In few areas of our business is our strong customer orientation more critical. We work closely with customers, for example, to develop specially formulated solvent blends for improved cleaning, stripping and degreasing applications. Last year, one of the largest urethane shoe sole manufacturers in the U.S. began using our pyrrolidone-based FoamFlush® solvent for the cleaning of process molds. This engineered solvent has successfully reduced maintenance down-time and cut operating costs for the manufacturer.

Penetrating High Growth Markets

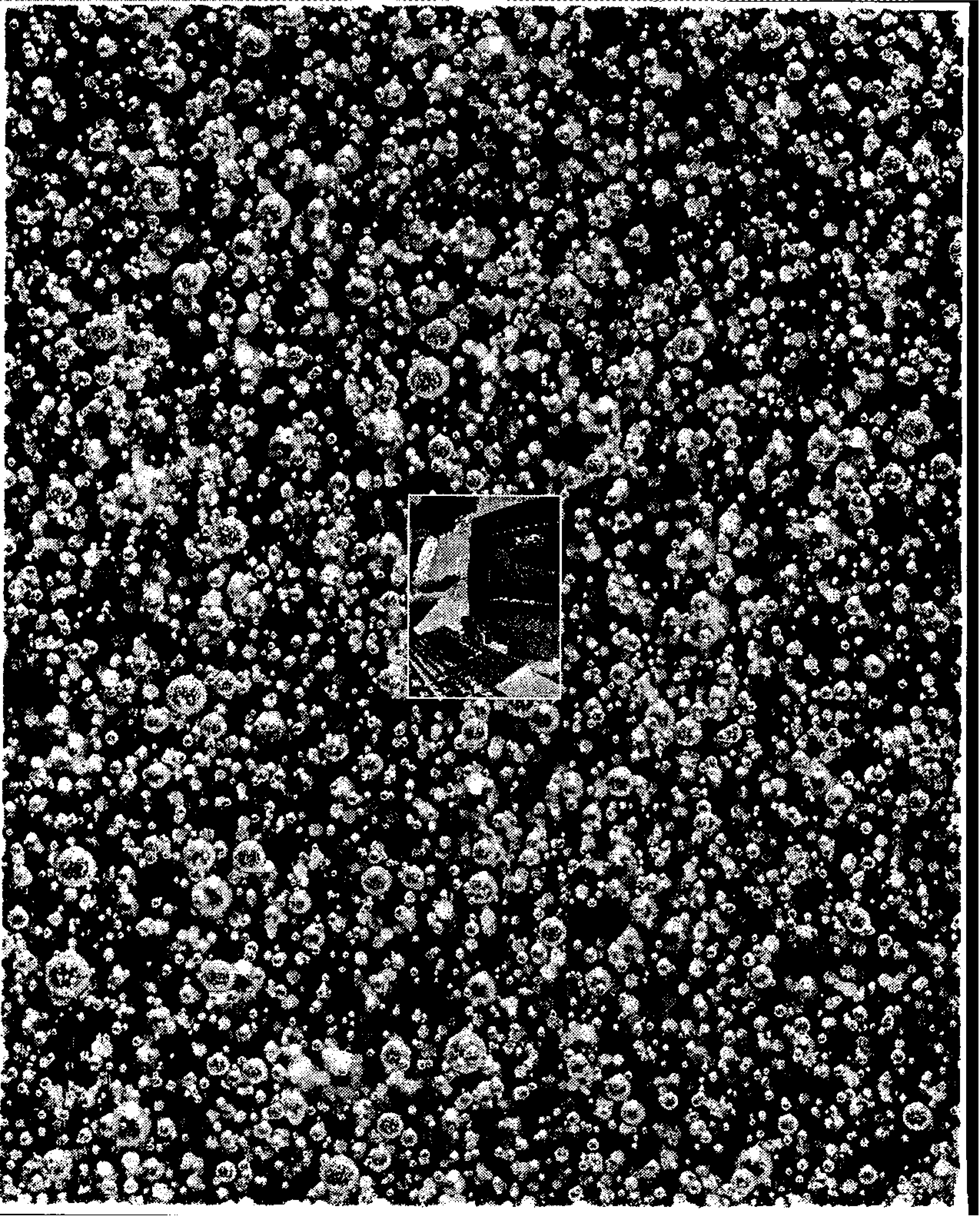
One of ISP's major application advances last year was in connection with laundry detergents, where we introduced a special PVP polymer variant to prevent dyestuffs from redepositing on the white areas of fabrics during the washing process. This application, which began in Europe and is now spreading to other parts of the world, provides significant market potential for ISP.

Another accomplishment last year was the penetration of the hot melt adhesives market through the modification of one of our PVP polymers. Hot melt, used in a variety of applications from packaging to industrial pressure sensitive labels, is a leading environmentally preferred replacement technology for solvent-based adhesives.

Commercial Development: Uncovering New Markets

Spearheading the drive to uncover unique growth opportunities for industrial markets is ISP's Commercial Development team. This unit's mission is fulfilled both by adapting existing ISP products to promising applications and by developing new products. For instance, Surfadone® surfactant/solvent has taken on a new role as a printing press cleaner during printing operations where, because of its effectiveness, it helps improve the sharpness of the printing process.

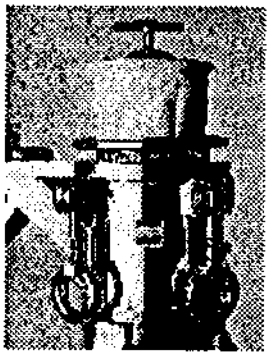
ISP's PVP K90 polymer (right) is used in the fabrication of computer color display tubes, providing enhanced image sharpness.



RECORD SALES FOR MINERAL PRODUCTS

ISP's Mineral Products group, which supplies ceramic-coated colored granules to virtually every major manufacturer of asphalt roofing shingles in the United States, achieved record sales in 1992. The increased sales in 1992 were the result of stronger roofing demand, which was caused in part by storm damage throughout the southern portions of the U.S.

Our granules provide weather resistance, decorative coloring and heat deflection for roofing products. Mineral Products broadened its product range last year by introducing an algae resistant granule for the asphalt roofing industry for use in hot, humid environments.



HIGH-QUALITY INDUSTRIAL FILTER SYSTEMS AND RAD-SURE® IRRADIATION INDICATORS USED IN BLOOD BANK OPERATIONS ARE ESTABLISHING IMPORTANT NICHE MARKETS FOR ISP.

QUALITY FILTER PRODUCTS

ISP enjoyed steady growth in its Filter Products business in 1992. Filter Products' principal product line is bag filter systems, which include the pressure vessels (or "hardware") that are designed to hold the filter bags (or "software"). By separating solid particulate matter from a liquid process stream, bag filter systems are important to the chemical, paint, automotive, pharmaceutical, electrical, food and beverage industries.

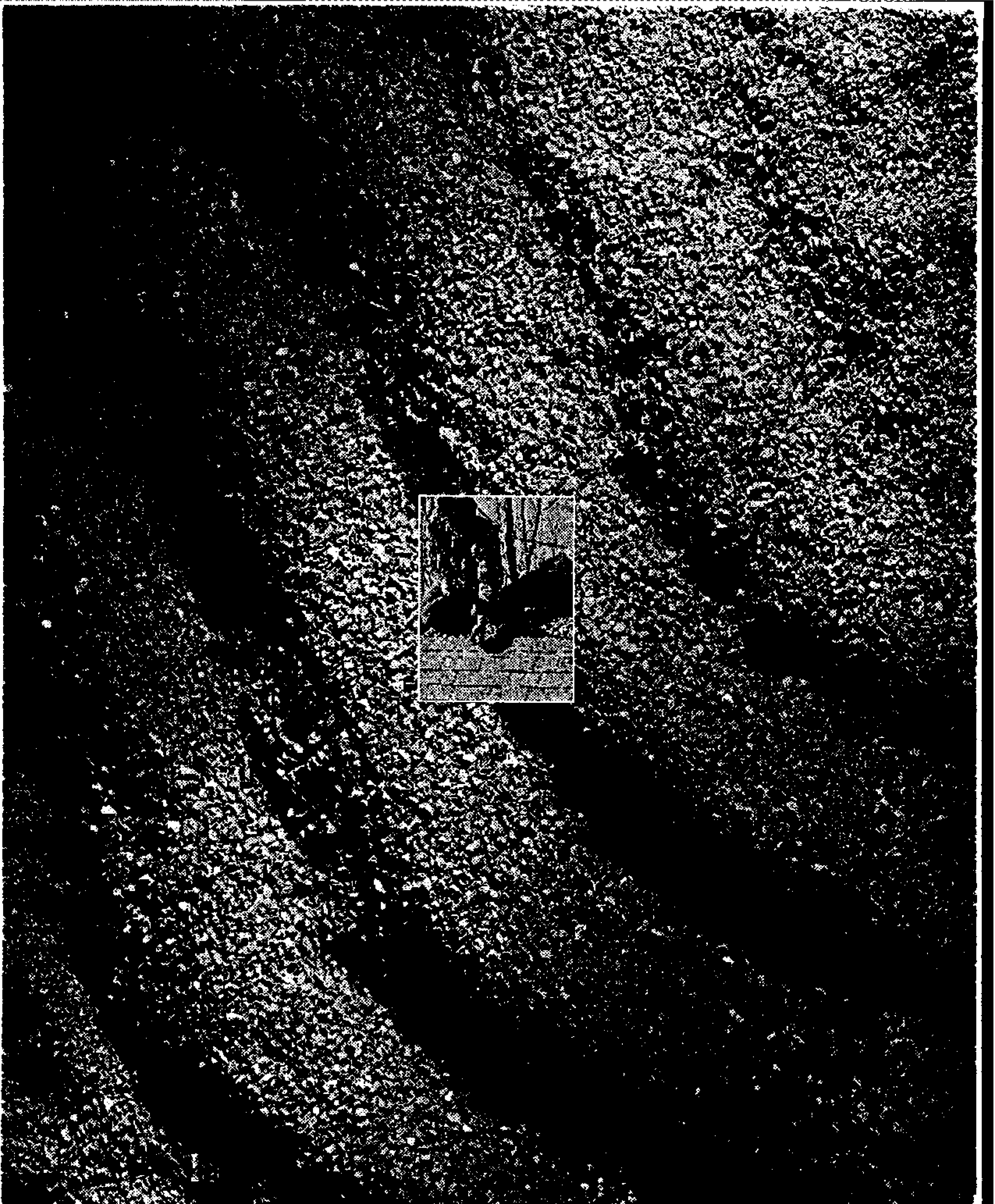
Relying on new filtration media and production technologies, ISP introduced last year ACCURATE™ 1, a line of high efficiency filter bags designed to compete with the larger pore size segment of the cartridge market. In addition to innovative products, ISP's Filter Products business is differentiating itself through a strong global presence coupled with recognized quality and superior customer service.

NEW APPLICATIONS FOR ADVANCED MATERIALS

ISP Advanced Materials markets a growing range of unique and creative products. Last year it introduced RAD-SURE® indicators, which are unique radiation-sensitive labels that are affixed to blood bags to verify whether they have been properly irradiated. Through this application, RAD-SURE is helping to prevent potentially fatal mistakes by hospitals and blood banks in handling and processing irradiated blood bags. Advanced Materials also markets PERM® and GAFCHROMIC® processless electron recording films for a variety of instant imaging, data recording and medical dosimetry applications.

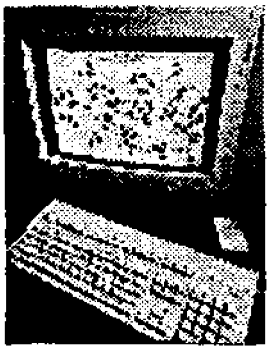
Additionally, Ferronyl® iron from our Advanced Materials business has been widely accepted as an iron supplement in multivitamins and other pharmaceutical products. Compared to other iron supplements, Ferronyl has significantly lower toxicity that enhances the safety of vitamin products.

ISP'S CERAMIC-COATED COLORED GRANULES (RIGHT) PROVIDE PROTECTION AND BEAUTY TO ROOFTOPS THROUGHOUT THE UNITED STATES.



Time after time, members of our research and development team have proven themselves highly skilled at applying the right chemistry to meet the customer's requirements. Not surprisingly, the Company developed, introduced and marketed a wide range of new products in 1992. They included Stabileze™ polymer, the Company's initial entry in the specialty thickener market; PVP K120, a tablet binder that represents the highest molecular weight product of its type in the market today; Micropure® CDF, a circuit board cleaner that replaces harmful fluorocarbon cleaners; and the Gantrez V line of environmentally safe haircare resins.

State-of-the-art technology and outstanding scientific talent are enabling ISP to capture the right ideas and bring them to market faster than ever before.



New Product Express Teams

To be successful in today's environment, new products must be developed as quickly as possible from concept to market. Our new product express teams make that possible. These teams include ISP employees from all key disciplines—research and manufacturing to marketing and customer service—and are involved in new product development from day one. As a result of this approach, Escalol® 597, a high protection sunscreen, was brought to market last October in about four months—less than half the time it would have normally taken. In addition, a new Polyclar® product, Polyclar® Super R, was ready for sale only six months after the product need was recognized.

Science Advisory Board

Ever mindful of the importance of research and development to the success of our business, we took several steps last year to strengthen that capability. We increased our R&D expenditures by 19 percent as we expanded our technical staff in critical areas such as polymer and pharmaceutical science. We also established a Science Advisory Board consisting of the following world-class scientists: Dr. Jules Blake, former Vice President, Corporate Scientific Affairs, Colgate Palmolive Company; Dr. William Burlant, Principal Scientist, ISP; Dr. Robert Lenz, Professor of Polymer Science and Engineering, University of Massachusetts; Dr. Brian Pethica, former Dean of Arts and Sciences and Professor of Chemistry, Clarkson University; and Dr. Arvind Varma, Arthur J. Schmitt Professor of Chemical Engineering, University of Notre Dame. The Board's objectives are to review ISP's programs and offer guidance and counsel with respect to new technologies and future product directions. ISP management has already relied on the Board's recommendation to focus the Company's global R&D priorities.

ISP chemists excel in creating products to solve specific customer problems.

ISP is taking its products, technology and marketing expertise to virtually every corner of the world—wherever significant business opportunities exist. Our specialty derivative chemicals are currently sold in some 75 countries outside the United States, constituting more than 55 percent of total specialty derivative chemicals sales.

To provide quality service to that customer segment, we have actively developed a direct sales, marketing and technical presence across Europe, South America, and the Asia/Pacific region. Wherever possible, we rely on experienced nationals to manage and expand the business. Over the past year-and-a-half, we've initiated direct sales capability in Argentina, Venezuela, Czech Republic and Slovakia, Turkey, and Poland. Approximately 80 percent of ISP's revenues outside the United States are currently generated by the Company's sales force with the remainder originating through a worldwide network of experienced distributors.

New European Manufacturing Facility

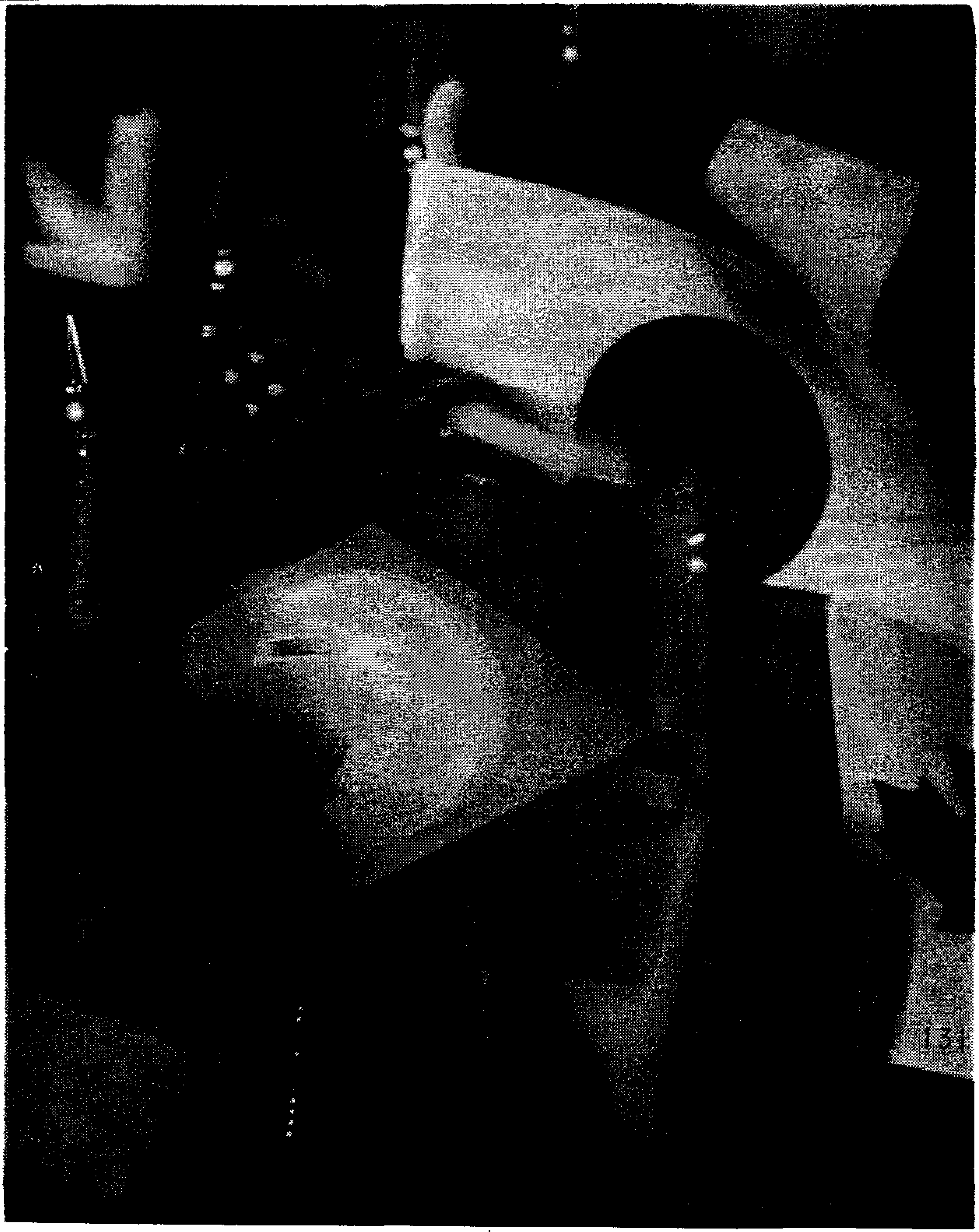
We announced in January of this year plans to construct a new specialty chemicals manufacturing complex in Ghlin-Baudour, Belgium. The net cost of this project to the Company is estimated to be more than $100 million. It will be built in multiple stages, with the first phase of operations expected to commence in early 1995. Once completed, the complex will provide a fast and efficient source of high value-added polymer and solvent products for our European customers—a group that generates nearly 40 percent of our total specialty derivative sales. Currently, these customers are served by our plants in Calvert City, Kentucky, and Texas City, Texas.

The new plant location—just outside Brussels—will provide us with maximum flexibility in meeting the needs of our global customers. Continuing to play major roles in that effort are ISP technical centers in Cologne, Germany; Guildford, England; Science Park, Singapore; and Wayne, New Jersey.

Strategic Partnerships

We are further responding to the needs of our customers worldwide by establishing with them strategic alliances and long-term partnerships. By forming joint development teams composed of scientific, marketing, regulatory and other specialists, we are breaking important new product and application ground.

Through a direct sales force and an experienced distributor network, ISP markets its products in 75 countries throughout the world.



ISP actively supports the chemical industry's Responsible Care® Program. As part of that initiative, we joined with other chemical companies last year to form community advisory panels at our Calvert City, Kentucky, and Texas City, Texas, plant sites. These groups are resulting in a stronger, more productive dialogue than ever before with local residents as well as their government, business and environmental leaders.

We also continue to dramatically reduce air emissions from our manufacturing operations. In 1991, the most recent reporting year, our SARA 313 air emissions fell by 22 percent. Since reporting started in 1987, these emissions have been reduced by nearly 85 percent.

Our commitment to environment, health and safety does not end, however, with Responsible Care. ISP is an industry leader in developing products that significantly reduce emissions of volatile organic compounds (VOCs), chlorofluorocarbons (CFCs), and chlorinated solvents presently used in a wide range of consumer and industrial products. Our scientists, for example, are working to meet the stringent environmental standards in a growing number of states by designing resins that are compatible with low VOC systems in hairsprays. We are also breaking new ground through the development of safer solvents for cleaning, stripping and degreasing applications. From our labs have emerged products like ShipShape®, a resin cleaner used in the fiberglass boat industry as an alternative to volatile acetone cleaners.

A Complete Product Management Service

Customers receive more than an environmentally safe product from ISP. In the case of solvent users, they benefit from a complete management system that extends to safe handling and disposal of the product after it has been used. The centerpiece of this system is Respond™ Environmental Management Service. Under this value-added service, ISP arranges for the pickup of the used solvent and its characterization at an independent laboratory. Wherever possible, we recycle or reuse the spent material to minimize the portion that returns to the environment. When the used solvent cannot be reclaimed, it is disposed of according to proper regulatory procedures. As part of the Respond initiative, ISP has prepared a detailed manual that spells out safe procedures and techniques for everyone involved in handling solvents in both their virgin and used states.

General

International Specialty Products Inc. (the "Company"), an indirect subsidiary of GAF Corporation ("GAF"), was formed in 1991 to acquire, through a stock acquisition, substantially all of the operating businesses then conducted by GAF Chemicals Corporation ("GCC"). In July 1991, the Company completed an initial public offering of 19.4 million shares, or 19.4% of its common stock, at a price of $15.50 per share.

In 1992, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Financial Statements for 1990 and 1991 have been restated to conform to the provisions of that new accounting standard (see Notes 2 and 3 of Notes to Consolidated Financial Statements).

1992 Compared With 1991

In 1992, the Company recorded net income of $50.1 million (50 cents per share based on 99.9 million shares outstanding) compared with net income of $50.6 million (56 cents per share based on an average of 90.2 million shares outstanding) for the year 1991. Net income for 1992 reflects a one-time charge of $7.1 million ($.07 per share) representing the cumulative effect of the change in accounting for postretirement benefits other than pensions, net of a related income tax benefit of $3.9 million.

Income for 1992 before the one-time charge was $57.2 million (57 cents per share), an increase of $6.5 million (13%) over the prior year. The improved results were attributable to a $22.1 million reduction in interest expense and a $4.1 million improvement in other income (expense), partially offset by a $14.2 million decline in operating income and lower earnings of the GAF-Hüls joint venture ("GAF-Hüls").

Sales for 1992 increased $45 million (8.5%) to $570.8 million compared with $525.8 million in 1991. The sales increase was attributable primarily to growth in the Company's mineral products due to stronger roofing demand, increased sales of high margin specialty products, and the acquisition on March 31, 1992 of the Van Dyk personal care business, offset by lower sales of intermediates and solvents. Van Dyk sales accounted for approximately $22.5 million (4%) of the Company's sales for 1992.

Operating income for the year 1992 was $107.7 million, down $14.2 million from last year's $121.9 million, with specialty chemicals down by $20.9 million and mineral products up by $6.9 million. The decrease in specialty chemicals was primarily due to higher manufacturing costs, reduced pricing for the Company's intermediate and solvent products as a result of increased competition, a provision for obsolete inventory, and higher selling, general and administrative costs in connection with the Company's increased marketing, sales, and research and development efforts. These factors were partially offset by the absence of the $3.8 million one-time charge associated with the termination of GAF's Equity Appreciation Plan in 1991 (see Note 7 of Notes to Consolidated Financial Statements). The strong performance by the Company's mineral products business resulted from increased roofing demand, which was fueled in part by damage from several storms which occurred in many areas of the United States.

Interest expense for 1992 was $30.6 million, a reduction of $22.1 million from $52.7 million in 1991. The reduction was due both to lower average debt outstanding and lower interest rates.

Other income was $2.7 million in 1992, compared with other expense of $1.4 million in 1991. This category is comprised of foreign exchange gains/losses resulting from the revaluation of foreign currency-denominated accounts receivable and payable as a result of changes in exchange rates, other nonoperating and nonrecurring items of income and expense, and net investment income. The improvement in 1992 was due primarily to higher income from investments and lower foreign exchange losses.

A customer of the Company's mineral products business decided, effective January 1, 1993, to place a portion of its contract volume with another supplier, such portion representing approximately 3% of the Company's total annual sales. The Company anticipates that it will be able to replace a portion of this shortfall through increased sales to GAF Building Materials Corporation in 1993 as a result of the latter's projected increased purchase requirements, increased sales to existing customers, and the obtaining of new customers. No assurance can be given, however, with respect to the Company's ability to offset the financial impact of such lost volume.

1991 Compared With 1990

In 1991, the Company recorded net income of $50.6 million (56 cents per share) or an increase of $20 million (65%) from $30.6 million (38 cents per share) in 1990. Net sales increased by $14.1 million (3%) to $525.8 million in 1991 from $511.7 million in 1990. Operating income was $121.9 million in 1991, an increase of $5.1 million (4%) over 1990.

Specialty derivative chemicals and mineral products contributed to the increase in net sales. Sales of specialty derivative chemicals increased by $14.6 million (4%) as a result of higher volumes, an improved product mix, and higher pricing, partially offset by the unfavorable impact of foreign exchange rates. Sales of mineral products increased by $2.8 million (3%), due to higher selling prices.

The growth in the Company's operating income in 1991 resulted primarily from a $5.8 million (6%) increase in operating income of specialty derivative chemicals, due to the improvement in product mix and higher pricing described above. These gains were partially offset by additional selling, general and administrative expenses (including a one-time charge of $3.8 million associated with the termination of GAF's Equity Appreciation Plan), increased new product costs, and the unfavorable impact of foreign exchange rates. The operating income of mineral products increased by $1.5 million (8%).

Interest expense in 1991 was $52.7 million, a decrease of $32.5 million from 1990. The decrease was attributable to the repayment of $299 million of term bank debt in 1991, mainly from the proceeds of the initial public offering, and also to a general decline in prevailing interest rates and a reduction in the interest rate pricing provisions applicable to the Company's bank borrowings.

Other income (expense) is comprised of net investment income, foreign exchange gains/losses, and other nonoperating and nonrecurring items of income and expense. For 1991, the Company had net other expense of $1.4 million, compared with net other income of $0.8 million in 1990. The decrease in 1991 was due primarily to a reduction in net investment income.

The expected long-term rate of return on assets used in determining net periodic pension cost was 9% and 8% for 1991 and 1990, respectively. This change had the effect of lowering the Company's 1991 net periodic pension cost by approximately $50,000 (see Note 7 of Notes to Consolidated Financial Statements).

Joint Venture

Since achieving record sales of $123.2 million in 1989, GAF-Hüls' sales declined to $121.3 million in 1990, $104.2 million in 1991, and $99.4 million in 1992. The decline in sales is primarily the result of lower demand from European markets as a result of an economic slowdown, increased competition from the entry of another producer into the European market, and lower purchases of butanediol from GAF-Hüls by the Company.

The Company's equity in the earnings of the joint venture declined from $11.8 million in 1989 to $9.7 million in 1990, $7.9 million in 1991, and $6 million in 1992. The earnings decline was primarily attributable to the aforementioned sales decline, price erosion, and raw material cost increases. The Company expects a further decline in the earnings of the joint venture in 1993.

Liquidity and Financial Condition

During 1992, the Company generated cash from operations of $77.3 million, compared with $47.1 million in 1991. Cash invested in additional working capital amounted to $11.3 million in 1992, primarily for additional inventory to support increased sales.

The Company reinvested $70.5 million for capital programs and the acquisition of the Van Dyk personal care business in 1992, compared with capital expenditures in 1991 of $34.4 million.

In January 1993, the Company announced plans to construct a specialty chemicals manufacturing complex in Ghlin-Baudour, Belgium. The facility, which will be developed in several stages over the next four years, is scheduled to begin operations in early 1995. Upon completion of all phases, the net cost of the project to the Company is expected to be in excess of $100 million. Expenditures for capital programs during 1993 are expected to be approximately $55 million, excluding approximately $25 million for the new Belgian facility. The Company anticipates utilizing internally generated funds and/or additional borrowings to finance the aforementioned capital projects.

During 1992, the Company raised a net amount of $64.8 million from financing activities as described below, resulting in a net increase of $71.6 million in cash and short-term investments. See Note 2 of Notes to Consolidated Financial Statements for a description of short-term investments.

As more fully described in Note 6 of Notes to Consolidated Financial Statements, in March 1992 $200 million of 9% Senior Notes were issued. The net proceeds were used to repay other existing debt. Also, in July 1992, the Company entered into a new five-year bank credit agreement (the "Credit Agreement") providing for a $400 million revolving credit/letter of credit facility. With the proceeds of this new bank financing, the Company repaid the remaining term loan and revolving loans under the Company's previous bank credit agreement and reissued letters of credit. As a result of the foregoing, the Company's scheduled repayments of long-term debt for the twelve months ending December 31, 1993 have been reduced to $0.6 million.

The Credit Agreement permits the Company to pay cash dividends and make other restricted payments (as defined) of up to 50% of its consolidated net income plus the aggregate net cash proceeds from issuances of common stock after January 1, 1992, provided that certain financial ratios are met. The Credit Agreement permits the Company to make loans to affiliates and to make available letters of credit for the benefit of affiliates in an aggregate amount up to $50 million. As of December 31, 1992, $25.6 million of such amount had been utilized in the form of letters of credit.

As more fully described in Note 6 of Notes to Consolidated Financial Statements, in July 1992 the Company redeemed all of the 11⅜% Senior Subordinated Notes due 1995 ($6.7 million aggregate principal amount) and the 10⅞% Senior Subordinated Notes due 1994 ($13.7 million aggregate principal amount).

Financing activities also included a $2.1 million increase in short-term debt, borrowings of $20.5 million from a related party, and $6.9 million incurred for financing fees and expenses. The Company also declared dividends of $5 million (5 cents per share) on its common stock during 1992. In December 1992, the Company determined not to proceed with a proposed public offering of $100 million of new senior notes, in the belief that credit market conditions would be more propitious in 1993. The Company may, depending on its financing requirements and its view of future credit market conditions, proceed with a new offering in 1993.

Fluctuations in the value of foreign currencies may cause U.S. dollar-translated amounts to change in comparison with previous periods and, accordingly, the Company cannot estimate in any meaningful way the possible effect of such fluctuations upon future income. The Company has a policy to manage these exposures to minimize the effects of fluctuations in foreign currencies, including entering into foreign exchange contracts from time to time in order to hedge its exposure. As of December 31, 1992, outstanding foreign exchange contracts were immaterial.

The Company holds positions in short-term investments in which it is exposed to market risk. See Note 2 of Notes to Consolidated Financial Statements.

The parent corporations of the Company, including GAF, G-I Holdings Inc., G Industries Corp. and GCC, are essentially holding companies without independent businesses or operations and, as such, are dependent upon the cash flow of their subsidiaries, including the Company, in order to satisfy their obligations, including the asbestos-related claims discussed below and certain potential tax liabilities including tax liabilities relating to Rhone-Poulenc Surfactants and Specialties, L.P. For a description of such obligations see Notes 3 and 15 of Notes to Consolidated Financial Statements. In the event that such parent corporations were unable to meet their cash needs from sources other than the Company, they might take various actions, including, among other things, seeking to cause the Company to make distributions to stockholders by means of dividends or otherwise, to make loans to its parent corporations or cause GCC to sell shares of the Company's common stock. The Company does not believe that the dependence of its parent corporations on the cash flows of their subsidiaries should have a material adverse effect on the operations, liquidity or capital resources of the Company.

Given the current ownership structure of the Company, the ability of the Company to utilize common stock financings for capital expenditures, acquisitions and other corporate purposes, and the ability of GCC to sell shares of the Company's common stock owned by it, is presently impeded as a result of GCC's inability to utilize significant tax benefits, and significant adverse tax consequences to GCC, which would occur in the event GCC were to own less than 80% of the Company's common stock. Such tax consequences would be eliminated over time as the Company generates earnings. In light of the foregoing, as well as the current market price of the Company's common stock, GCC has advised the Company that it does not currently intend to dispose of shares of the Company's common stock, and the Company does not currently intend to issue shares of its common stock.

Sales, operating income and identifiable assets by geographic area are set forth in Note 12 of Notes to Consolidated Financial Statements. For information with respect to historical income taxes, see Note 3 of Notes to Consolidated Financial Statements.

The Company does not believe that inflation has had a material effect on its results of operations during the past three years. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

The Company has applied to the New Jersey Hazardous Waste Facilities Siting Commission for site designation for the construction of a hazardous waste disposal facility at its Linden, New Jersey property. If the Company is successful in securing the site designation and the necessary permits to construct and operate the hazardous waste facility, the Company intends to develop and operate the facility in a separate subsidiary, either on its own or in a joint venture with a suitable partner. If the Company develops and operates the facility on its own, it would require the consent of the banks under the Credit Agreement. The Company estimates that the cost of constructing the facility will be approximately $100 million and, if approved, the facility is anticipated to be in operation by 1996. If the required approvals and permits are obtained, the Company anticipates utilizing internally generated cash and/or seeking project or other independent financing therefor and, accordingly, would not expect such facility to impact materially the Company's liquidity or capital resources. There can be no assurance, however, that the Company will obtain the required approvals or permits.

The Company is a party or a potentially responsible party in a variety of administrative proceedings and lawsuits involving environmental matters under the Comprehensive Environmental Response Compensation and Liability Act and similar state laws in which recovery is sought for the cost of cleaning up contaminated waste disposal sites. The Company is seeking dismissal of a number of the proceedings and lawsuits on the ground that there appears to be no substantial evidence of the Company's responsibility for any hazardous materials present. Although there can be no assurance, the Company anticipates that liability, if any, with respect to each site will eventually be apportioned among the companies found to be responsible for the presence of hazardous materials at such site.

Based on facts presently available, it is not possible to predict the eventual cost to the Company of these matters; however, the Company currently estimates that its liability in respect of such matters will be approximately $12.1 million after anticipated insurance recoveries. In the opinion of management, these matters should be resolved and such amounts paid gradually over a period of years and, accordingly, the resolution of such matters should not have a material effect on the Company's business, financial condition or results of operations.

GAF has advised the Company that GAF has been named as a co-defendant in approximately 63,000 lawsuits alleging health claims relating to the inhalation of asbestos fiber and a co-defendant in 30 lawsuits alleging economic and property damage or other injuries caused, in whole or in part, by what is claimed to be the present or future need to remove asbestos material from various premises. Neither the Company nor the assets or operations of the Company or GCC, which was operated as a division of GAF prior to July 1986, have been employed in the manufacture or sale of asbestos products. Consequently, the Company believes that such claims should not have a material effect on the Company's business, financial condition or results of operations. The Company believes that it should have no legal responsibility for damages in connection with asbestos-related claims, but the Company cannot predict whether any such claims will be asserted against it or the outcome of any litigation relating to such claims. In addition, should GAF be unable to satisfy judgments against it in asbestos-related lawsuits, its judgment creditors might seek to enforce their judgments against the assets of GAF, including its indirect holdings of common stock of the Company, and such enforcement could result in a change of control of the Company. For further information regarding asbestos-related claims against GAF, see Note 15 of Notes to Consolidated Financial Statements.

Set forth below are selected consolidated financial data of the Company and the Predecessor Company. Data for the years 1990 and 1991 and the nine months ended December 31, 1989 have been restated to reflect the retroactive adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (see Notes 2 and 3 of Notes to Consolidated Financial Statements). The capital structure and accounting bases of the assets and liabilities of the Company subsequent to April 2, 1989 differ from those of the Predecessor Company for prior periods as a result of the Acquisition (see Note 1 of Notes to Consolidated Financial Statements). Financial data of the Predecessor Company are presented on a historical cost basis. Financial data of the Company reflect the Acquisition under the purchase method of accounting. Accordingly, financial data for periods subsequent to the Acquisition are not comparable with data for periods prior thereto, because the periods subsequent to the Acquisition reflect interest expense on Acquisition borrowings as well as non-cash charges that are not applicable to the Predecessor Company, consisting of goodwill amortization and depreciation of increased asset values resulting from the Acquisition. Such non-cash charges amounted to $22.3 million, $22.4 million, $22.3 million and $16.5 million for the year 1992, the year 1991, the year 1990 and the nine months ended December 31, 1989, respectively.

(Dollars in thousands, except per share amounts)	Company				Predecessor Company	
	Year Ended December 31,			Nine Months Ended December 31,	First Quarter Ended April 2,	Year Ended December 31,
	1992	1991	1990	1989	1989	1988
Operating data:						
Net sales	$ 570,757	$ 525,786	$ 511,652	$ 354,677	$114,885	$406,735
Operating income	107,664	121,852	116,764	77,657	27,232	87,108
Interest expense	30,595	52,693	85,224	66,434	2,032	7,211
Income before income taxes	85,782	75,682	42,037	20,705	29,244	93,708
Income before cumulative effect of accounting change	57,182	50,646	30,559	12,192	18,248	61,204
Net income	50,113	50,646	30,559	12,192	18,248	61,204
Earnings per common share:						
Income before cumulative effect of accounting change	$ .57	$ .56	$ .38	$ .15	N/A	N/A
Net income	$ .50	$ .56	$ .38	$ .15	N/A	N/A
Dividends per common share	$ .05	$ —	$ —	$ —	N/A	N/A
Other data:						
Operating margin	18.9%	23.2%	22.8%	21.9%	23.7%	21.4%
Depreciation	$ 25,610	$ 23,247	$ 22,308	$ 14,641	$ 2,314	$ 8,689
Goodwill amortization	13,706	13,825	13,754	10,061	—	—
Capital expenditures and acquisitions	70,464	34,422	35,627	22,909	3,837	40,575

	Company				Predecessor Company
	December 31,				December 31,
	1992	1991	1990	1989	1988
Balance Sheet data:					
Total working capital	$ 179,310	$ 94,715	$ 65,658	$ 95,400	$ 46,586
Total assets	1,270,418	1,151,175	1,140,592	1,137,176	339,653
Long-term debt	493,025	413,746	698,044	734,018	71,677
Stockholders' equity	516,999	483,797	154,621	143,764	122,131

(Thousands, except per share amounts)	Year Ended December 31, 1992	1991	1990
Net sales	$570,757	$525,786	$511,652
Costs and expenses:			
Cost of products sold	324,876	279,671	282,549
Selling, general and administrative	124,511	110,438	98,585
Goodwill amortization	13,706	13,825	13,754
Total costs and expenses	463,093	403,934	394,888
Operating income	107,664	121,852	116,764
Interest expense	(30,595)	(52,693)	(85,224)
Equity in earnings of joint venture	5,996	7,894	9,684
Other income (expense), net	2,717	(1,371)	813
Income before income taxes and cumulative effect of accounting change	85,782	75,682	42,037
Income taxes	(28,600)	(25,036)	(11,478)
Income before cumulative effect of accounting change	57,182	50,646	30,559
Cumulative effect of change in accounting for postretirement benefits other than pensions, net of related income tax benefit of $3,913	(7,069)	—	—
Net income	$ 50,113	$ 50,646	$ 30,559

	1992	1991	1990
Earnings per common share:			
Income before cumulative effect of accounting change	$ .57	$ .56	$ .38
Cumulative effect of accounting change	(.07)	—	—
Net income	$ .50	$ .56	$ .38
Weighted average number of common shares outstanding	99,889	90,194	80,500

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements. Prior year financial statements have been restated—see Note 2.

(Thousands)	December 31, 1992	1991
Assets		
Current Assets:		
Cash and cash equivalents	$ 11,162	$ 7,993
Short-term investments	70,517	2,092
Accounts receivable, less reserve: 1992—$2,105; 1991—$2,221	75,150	72,023
Inventories	105,528	93,836
Other current assets	11,874	16,773
Receivables from related parties, net	8,172	5,162
Total Current Assets	282,403	197,879
Property, plant and equipment, net	452,072	415,330
Excess of cost over net assets of businesses acquired, net of accumulated amortization of $51,346 and $37,640, respectively	470,939	484,645
Other assets	65,004	53,321
Total Assets	$1,270,418	$1,151,175
Liabilities and Stockholders' Equity		
Current Liabilities:		
Short-term debt	$ 2,211	$ 105
Current maturities of long-term debt	570	25,658
Loan payable to related party	20,470	—
Accounts payable	33,761	36,507
Accrued liabilities	33,583	36,932
Income taxes	12,498	3,962
Total Current Liabilities	103,093	103,164
Long-term debt less current maturities	493,025	413,746
Deferred income taxes	102,535	99,604
Other liabilities	54,766	50,864
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $.01 par value per share; 20,000,000 shares authorized	—	—
Common stock, $.01 par value per share; 300,000,000 shares authorized: 99,888,646 shares issued and outstanding	999	999
Additional paid-in capital	504,572	504,572
Excess of purchase price over adjusted historical cost of Predecessor Parent Company shares owned by Predecessor Parent Company stockholders	(63,483)	(63,483)
Retained earnings	68,174	23,055
Cumulative translation adjustment and other	6,737	18,654
Total Stockholders' Equity	516,999	483,797
Total Liabilities and Stockholders' Equity	$1,270,418	$1,151,175

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements. Prior year financial statements have been restated—see Note 2.

(Thousands)	Year Ended December 31, 1992	1991	1990
Cash and short-term investments, beginning of year	$ 10,085	$ 19,317	$ 18,309
Cash provided by operating activities:			
Net income	50,113	50,646	30,559
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,610	23,247	22,308
Goodwill amortization	13,706	13,825	13,754
Cumulative effect of accounting change	7,069	—	—
Deferred income taxes	6,844	2,455	2,013
(Increase) decrease in working capital items	(11,348)	(22,414)	(5,517)
(Increase) decrease in other assets	(850)	(12,024)	(658)
Increase (decrease) in other liabilities	(1,539)	(6,485)	(8,717)
(Increase) decrease in receivables from related parties	(3,010)	(1,741)	3,509
Change in cumulative translation adjustment	(10,246)	(215)	11,610
Other, net	948	(189)	2,326
Net cash provided by operating activities	77,297	47,105	71,187
Cash used in investing activities:			
Capital expenditures and acquisitions	(70,464)	(34,422)	(35,627)
Cash provided by (used in) financing activities:			
Proceeds from initial public offering	—	281,272	—
Increase (decrease) in short-term debt	2,106	(9,212)	1,008
Proceeds from debt financing	200,000	—	653,000
Repayments of long-term debt	(145,899)	(291,680)	(657,966)
Loan from related party	20,470	—	—
Financing fees and expenses	(6,922)	—	—
Dividends and distributions	(4,994)	(27,591)	(31,312)
Capital contribution by GCC	—	25,232	—
Other, net	—	64	718
Net cash provided by (used in) financing activities	64,761	(21,915)	(34,552)
Net change in cash and short-term investments	71,594	(9,232)	1,008
Cash and short-term investments, end of year	$ 81,679	$ 10,085	$ 19,317

(Thousands)	Year Ended December 31, 1992	1991	1990
Supplemental Cash Flow Information:			
Effect on cash from (increase) decrease in working capital items*:			
Accounts receivable	$ 1,915	$ 8,752	$ (1,228)
Inventories	(8,083)	(10,120)	(10,299)
Other current assets	4,899	(2,219)	3,531
Accounts payable	(2,746)	(1,782)	(6,581)
Accrued liabilities	(6,369)	(12,074)	8,044
Income taxes	(964)	(4,971)	1,016
Net effect on cash from (increase) decrease in working capital items	$(11,348)	$(22,414)	$ (5,517)

**Working capital items exclude cash, short-term investments, short-term debt and the loan payable to related party. Working capital acquired in connection with the acquisition of the Van Dyk personal care business in 1992 is accounted for within "Capital expenditures and acquisitions" in the Consolidated Statement of Cash Flows. The effects of reclassifications between noncurrent and current liabilities are excluded from the amounts shown above.*

	1992	1991	1990
Cash paid during the year for:			
Interest	$(27,720)	$(55,577)	$(93,544)
Income taxes (including taxes paid pursuant to the Tax Sharing Agreement)	(24,753)	(25,211)	(8,443)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements. Prior year financial statements have been restated—see Note 2.

(Thousands)	Capital Stock and Additional Paid-in Capital	Cumulative Translation Adjustment and Other	Retained Earnings
December 31, 1989 as previously reported	$199,977	$ 7,427	$ —
Restatement for retroactive adoption of Statement of Financial Accounting Standards No. 109 (see Note 3)	(157)	—	—
December 31, 1989 as restated	$199,820	$ 7,427	$ —
Net income	—	—	30,559
Translation adjustment	—	11,610	—
Dividends and distributions to GCC	(753)	—	(30,559)
December 31, 1990	$199,067	$ 19,037	$ —
Net income	—	—	50,646
Proceeds from initial public offering	281,272	—	—
Translation adjustment	—	(215)	—
Dividends and distributions to GCC	—	—	(27,591)
Capital contribution by GCC	25,232	—	—
Unfunded pension liability	—	(168)	—
December 31, 1991	$505,571	$ 18,654	$ 23,055
Net income	—	—	50,113
Translation adjustment	—	(10,246)	—
Dividends declared ($.05 per common share)	—	—	(4,994)
Unfunded pension liability	—	(1,671)	—
December 31, 1992	$505,571	$ 6,737	$ 68,174

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements. Prior year financial statements have been restated—see Note 2.

Note
1

Formation of the Company

International Specialty Products Inc. (the "Company") was formed on April 25, 1991 and is an 80.6% owned subsidiary of GAF Chemicals Corporation ("GCC"), which is a wholly owned subsidiary of G Industries Corp. ("G Industries"), which is an indirect wholly owned subsidiary of GAF Corporation ("GAF"). The authorized capital stock of the Company consists of 300,000,000 shares of common stock (par value $.01 per share) and 20,000,000 shares of preferred stock (par value $.01 per share). On April 26, 1991, the Company issued 10 shares of its common stock to GCC in exchange for $10.00. The Company acquired all the shares of the capital stock of the subsidiaries of GCC which own substantially all of GCC's operating assets. The Company and its subsidiaries also assumed GCC's liabilities related to such assets and certain intercompany notes (see Note 6). In connection with these transactions, the Company issued an additional 80,499,990 shares of its common stock to GCC and entered into certain agreements with its affiliates (see Notes 3 and 9). The foregoing transactions did not result in any change in the accounting basis of the Company's assets and liabilities.

The accompanying consolidated financial statements have been prepared on a basis which retroactively reflects the formation of the Company, as discussed above, for all periods presented. Stockholders' equity, long-term debt and the related interest expense and income tax effect thereon have been reflected retroactively for each of the periods presented. Excess cash generated prior to July 1, 1991 has been reflected as dividends and/or distributions to GCC for all periods presented. Certain allocations between GCC and the Company have been reflected in the historical financial statements based on methods that management believes to be reasonable (see Note 9).

In July 1991, the Company completed an initial public offering of 19,388,646 shares, or 19.4%, of its common stock, at a price of $15.50 before underwriters' discount. The net proceeds of $281.3 million from the initial public offering were paid by the Company to G Industries to reduce the Company's then-existing intercompany term note (see Note 6). G Industries then used such funds to reduce its $600 million bank term loan. The then-remaining term loan amortization payments (and thus the then-remaining intercompany term note amortization payments) were reduced on a pro rata basis.

A predecessor company to GAF (the "Predecessor Parent Company") was acquired on March 29, 1989 in a management-led buyout (the "Acquisition"). The Acquisition was accounted for under the purchase method of accounting. Accordingly, the historical book values of the assets and liabilities of GCC's predecessor company prior to the Acquisition were adjusted to their fair values as estimated at March 29, 1989. As a result, an excess of cost over net assets of businesses acquired ("goodwill") was recorded, of which $494.5 million was allocated to the Company.

Since certain members of the management group beneficially owned shares of the Predecessor Parent Company's common stock before the Acquisition and own shares of GAF after the Acquisition, the purchase method of accounting does not apply to their shares. Accordingly, for accounting purposes, stockholders' equity reflects the total shares of the Predecessor Parent Company owned by the management group at their respective adjusted historical costs, reduced by the consideration paid by GAF for the Predecessor Parent Company shares owned by the management group (which consideration included payments by the Predecessor Parent Company to cancel outstanding options for stock of the Predecessor Parent Company), resulting in a reduction in stockholders' equity, of which $63.5 million was allocated to the Company.

Note
2

Summary of Significant Accounting Policies

Principles of Consolidation
The accounts of all of the Company's subsidiaries are included in the accompanying consolidated financial statements. All significant intercompany transactions and balances have been eliminated. The Company's 50% ownership of a foreign chemical manufacturing company is accounted for by the equity method (see Note 10).

Short-Term Investments
The Company considers its investments in highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company has short-term investments in common stocks, preferred stocks, and government debt

instruments which are stated at the lower of cost or market, with an aggregate book value at December 31, 1992 of $70.5 million and a market value of $71.7 million at that date. Net investment income in 1992 included $2.8 million of net realized gains from sales of securities.

In addition to the foregoing, at times the Company holds certain common stock short positions which are hedges against long positions in securities which are expected, under certain circumstances, to be exchanged or converted into the short position securities. As of December 31, 1992, the Company had $19.1 million of short positions in common stocks, based on market value. The Company is exposed to the risk of market loss if the market value of the securities sold short should increase and the anticipated exchange or conversion does not occur as expected, or if the market value of securities held long should decline.

Inventories
Inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is utilized to determine cost for a substantial portion of the Company's domestic inventories. All other inventories are determined principally based on the FIFO (first-in, first-out) method.

Depreciation and Capitalized Interest
Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. Certain interest charges are capitalized as part of the cost of property, plant and equipment.

Foreign Exchange Contracts
From time to time, the Company enters into a variety of foreign exchange instruments with off-balance-sheet risk in order to hedge a portion of both its borrowings denominated in foreign currency and its purchase commitments related to the operations of foreign affiliates. Gains and losses on instruments used to hedge purchase commitments are deferred and amortization is included in the measurement of the foreign currency transactions hedged.

Forward contract agreements would require the Company and the counterparty to exchange fixed amounts of U.S. dollars for fixed amounts of foreign currency on specified dates. The value of such contracts will vary with changes in the market exchange rates. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward contract agreements. However, the Company does not anticipate nonperformance by the counterparties. The Company does not generally require collateral or other security to support these financial instruments.

As of December 31, 1992, outstanding forward foreign exchange contracts were immaterial.

Translation of Foreign Currency Amounts
For non-U.S. subsidiaries which operate in a local foreign currency environment, assets and liabilities are translated to U.S. dollars at exchange rates in effect as of each balance sheet date. Translation adjustments are accumulated in a separate component of stockholders' equity, "Cumulative translation adjustment." Income and expense items are translated at average rates of exchange during the period covered by the Consolidated Statements of Income.

For non-U.S. subsidiaries which operate in a highly inflationary environment, inventories, fixed assets, and investments are translated at historical exchange rates as of the dates of acquisition, while other assets and liabilities are translated at exchange rates in effect as of each balance sheet date. Inventories charged to cost of sales and depreciation expense are remeasured at historical exchange rates as of the dates of acquisition, while all other income and expense items are translated at average rates of exchange during the period covered by the Consolidated Statements of Income. Gains and losses resulting from translation are included in other income (expense), net.

Excess of Cost Over Net Assets of Businesses Acquired
Excess of cost over net assets of businesses acquired is amortized on the straight-line method over a period of approximately 40 years.

Research and Development
Research and development costs are charged to operations as incurred and amounted to $21.1 million for the year 1992, $17.8 million for the year 1991, and $16.3 million for the year 1990.

Restatements and Reclassifications
In 1992, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Financial statements for 1990 and

1991 have been restated to conform to the provisions of that new accounting standard. See Note 3 for further description.

In July 1991, upon completion of the initial public offering referred to in Note 1, a one-time charge of $3.8 million was recorded, representing the Company's portion of the costs associated with the termination by GAF of its Equity Appreciation Plan; such amount has been reclassified as "Selling, general and administrative" expense in the 1991 Consolidated Statement of Income. In addition, the Company's equity in the earnings of its joint venture, referred to in Note 10, has been reclassified from "Cost of products sold" to a separate line item in the Consolidated Statements of Income. Certain other amounts in the 1990 and 1991 consolidated financial statements have been reclassified to conform to the 1992 presentation.

Note 3

Income Taxes

Income tax provision consists of the following:

	Year Ended December 31,		
(Thousands)	1992	1991	1990
Federal:			
Current	$(13,648)	$(14,225)	$ 5,090
Deferred	(6,844)	(2,455)	(2,013)
Total Federal	(20,492)	(16,680)	3,077
Foreign	(7,181)	(7,440)	(14,455)
State and local	(927)	(916)	(100)
Income tax provision	$(28,600)	$(25,036)	$(11,478)

The differences between the income tax provision computed by applying the statutory Federal income tax rate to pretax income, and the income tax provision reflected in the Consolidated Statements of Income are as follows:

	Year Ended December 31,		
(Thousands)	1992	1991	1990
Statutory tax provision	$(29,166)	$(25,732)	$(14,293)
Net impact of foreign operations	3,589	3,933	5,362
Impact of nondeductible goodwill amortization	(4,560)	(4,701)	(4,676)
Impact of percentage depletion	2,152	1,947	2,078
Other, net	(515)	(483)	51
Income tax provision	$(28,600)	$(25,036)	$(11,478)

In 1992, the Company adopted SFAS No. 109, retroactive to April 1, 1989, the date of the Acquisition. SFAS No. 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. The new standard also requires that fixed assets which were recorded at the time of the Acquisition on a net-of-tax basis, be reflected at their pre-tax amounts, with a corresponding increase in deferred tax liabilities. As a result, the Company's depreciation expense was increased by approximately $3.5 million per year, and its income tax provision was decreased by approximately the same amount. Consequently, the adoption of SFAS No. 109 did not have a material effect on the Company's net income or earnings per share for 1990, 1991 or 1992.

Under SFAS No. 109, deferred tax assets and liabilities are determined based on the differences between the tax bases and book values of assets and liabilities, using enacted tax rates in effect for the years in which these differences are expected to reverse. The components of the net deferred tax liability are as follows:

	December 31,	
(Thousands)	1992	1991
Deferred tax liabilities related to:		
Property, plant and equipment	$106,396	$100,041
Other	4,813	1,642
Total deferred tax liabilities	111,209	101,683
Deferred tax assets related to:		
Expenses not yet deducted for tax purposes	(7,725)	(6,490)
Foreign tax credits not yet utilized under the Tax Sharing Agreement	(3,621)	—
All other deferred tax assets	(2,394)	(655)
Total deferred tax assets	(13,740)	(7,145)
Net deferred tax liability	97,469	94,538
Current portion included in other current assets	5,066	5,066
Noncurrent portion	$102,535	$ 99,604

Prior to adoption as of January 1, 1991 of the Tax Sharing Agreement described below, the tax provision was calculated on a separate company basis. The accompanying financial statements do not give retroactive effect to the Tax Sharing Agreement prior to January 1, 1991. However, had the Tax Sharing Agreement been in effect prior to January 1, 1991, the tax provisions in the accompanying consolidated financial statements would not have been materially different.

The net deferred tax liability is ultimately payable to G Industries.

The Company and each of its domestic subsidiaries have entered into an agreement (the "Tax Sharing Agreement") with GAF and G Industries with respect to the payment of Federal income taxes and certain related matters. During the term of the Tax Sharing Agreement, the Company is obligated to pay to G Industries an amount equal to those Federal income taxes the Company would have incurred if, subject to certain exceptions, the Company (on behalf of itself and its domestic subsidiaries) filed its own separate Federal income tax return. These exceptions include, among others, that the Company may utilize certain favorable tax attributes—*i.e.*, losses, deductions and credits (except for a certain amount of foreign tax credits and, in general, net operating losses)—only at the time such attributes reduce the Federal income tax liability of the GAF consolidated group; and that the Company may carry back or carry forward its favorable tax attributes only after taking into account current tax attributes of the GAF consolidated group. In general, subject to the foregoing limitations, unused tax attributes will carry forward for use in reducing amounts payable by the Company to G Industries in future years. Subject to certain exceptions, actual payment for such attributes will be made by G Industries to the Company only when GAF receives an actual refund of tax from the Internal Revenue Service or, under certain circumstances, when GAF no longer owns more than 50% of the Company. Foreign tax credits not utilized by GAF will be refunded by G Industries to the Company, if such credits expire unutilized, upon the termination of the statute of limitations for the year of expiration.

Under certain circumstances, the provisions of the Tax Sharing Agreement result in the Company having a greater current tax liability thereunder than it would have had if it (and its domestic subsidiaries) had filed its own separate Federal income tax return. Moreover, under the Tax Sharing Agreement, the Company and each domestic subsidiary are responsible for any taxes that would be payable by reason of any adjustment to the tax returns of GAF or its subsidiaries, for years prior to adoption of the Tax Sharing Agreement, relating to the business or assets of the Company or any of its domestic subsidiaries; in addition, the other subsidiaries of the Company are responsible for their respective taxes. The Tax Sharing Agreement provides for analogous principles to be applied to any consolidated, combined or unitary state or local income taxes. Under the Tax Sharing Agreement, GAF makes all decisions with respect to all matters relating to taxes of the GAF consolidated group.

The Company and each of its domestic subsidiaries join in the filing of a consolidated Federal income tax return with GAF. As members of the GAF consolidated group, the Company and each of its domestic subsidiaries are severally liable for all Federal income tax liabilities of every member of the GAF consolidated group, including tax liabilities not related to the business or assets of the Company and its domestic subsidiaries, although the Company has been indemnified by the other members of the GAF consolidated group for tax liabilities not related to the business or assets of the Company and its domestic subsidiaries.

On January 20, 1993, Rhone-Poulenc Surfactants and Specialties, Inc. ("RP") filed a complaint against GCC in Delaware Chancery Court (New Castle County) seeking a declaratory judgment that it may exercise its alleged right to retire substantially all of GCC's interest in Rhone-Poulenc Surfactants and Specialties, L.P. (the "Partnership") on or before May 13, 1993. While the Company is a named defendant in this litigation, the Company's management believes that it is not a proper defendant because, among other reasons, it has no interest in the Partnership and no relief is being sought against it. The matter is scheduled for trial commencing March 31, 1993. GCC and the Company intend to vigorously contest this action. GCC has advised the Company that it believes that it has meritorious defenses against RP, although there can be no assurance as to the outcome of the litigation with RP.

GCC has advised the Company that, under current interpretations of tax law, should RP be permitted to exercise its right to retire GCC's interest in the Partnership, GCC would incur a tax liability, after taking into account tax attributes available to GAF and its subsidiaries and based on current projections, of approximately $95 million. G Industries has assumed, and G Industries and GAF have agreed to jointly and severally indemnify the Company against, such tax liability. As set forth above, the Company is a member of the same consolidated group as GCC and, subject to such indemnification, would be severally liable for any tax liability imposed in connection with the retirement of GCC's interest in the Partnership should GCC, G Industries and GAF be unable to satisfy such liability.

In the opinion of the Company's management, the ultimate resolution of the dispute with RP will not have a material adverse effect on the operations, liquidity or financial condition of the Company.

Note 4

Inventories

At December 31, 1992 and 1991, $40.5 million and $40.4 million, respectively, of domestic inventories were valued using the LIFO method. These book values were less than the corresponding FIFO values by $3.4 million and $0.4 million, respectively. Inventories consist of the following:

	December 31,	
(Thousands)	1992	1991
Finished goods	$ 69,991	$58,996
Work in process	21,156	18,196
Raw materials and supplies	17,800	17,065
Total	108,947	94,257
Less LIFO reserve	(3,419)	(421)
Inventories	$105,528	$93,836

Note 5

Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31,	
(Thousands)	1992	1991
Land and land improvements	$ 65,326	$ 64,260
Buildings and fixtures	71,870	68,557
Machinery and equipment	342,176	312,635
Construction in progress	50,226	26,054
Total	529,598	471,506
Less accumulated depreciation	(77,526)	(56,176)
Property, plant and equipment, net	$452,072	$415,330

The amounts shown above have been restated in connection with the adoption of SFAS No. 109 (see Note 3), which had the effect of increasing gross property, plant and equipment by $66.3 million at December 31, 1992 and 1991.

Note 6

Long-term Debt

Long-term debt consists of the following:

	December 31,	
(Thousands)	1992	1991
9% Senior Notes Due March 1, 1999	$200,000	$ —
Borrowings under revolving credit facility	252,500	—
Borrowings from G Industries	—	370,995
Industrial revenue bond	2,970	3,551
Obligations on mortgaged properties	38,125	44,519
10¾% Senior Subordinated Notes due 1994	—	13,684
11¾% Senior Subordinated Notes due 1995	—	6,745
Unamortized discount	—	(90)
Total long-term debt	493,595	439,404
Less current maturities	(570)	(25,658)
Long-term debt less current maturities	$493,025	$413,746

In March 1992, two domestic subsidiaries of the Company (the "Issuers") issued $200 million of 9% Senior Notes (the "9% Notes"), due 1999. The 9% Notes are guaranteed by the Company and all of its domestic subsidiaries (the "Subsidiary Guarantors"). The Company used the net proceeds from the issuance of the 9% Notes to repay $196 million of its borrowings from G Industries. G Industries in turn repaid a similar portion of the term loan under its then-existing bank credit agreement.

The 9% Notes are general, unsecured obligations of the Issuers. Upon issuance of the 9% Notes, the previous bank credit agreement was amended, with the Issuers assuming G Industries' obligations under the previous bank credit agreement, including the term loan and the combined revolving credit/letter of credit facility, except for obligations related to letters of credit issued on behalf of GAF Building Materials Corporation (see Note 9 for information in connection with affiliate credit arrangements). In addition, all liens on assets of the Company securing the bank indebtedness were released, with the result that the remaining bank indebtedness and the 9% Notes rank *pari passu*.

In connection with the issuance of the 9% Notes, the Company entered into interest rate swap agreements with commercial banks, with an aggregate notional principal amount of $200 million, as a result of which the effective interest cost to the Company of the 9% Notes is now equivalent to a floating rate equal to 1.4% over LIBOR. The interest rate swap agreements mature at the time the related 9% Notes mature. The Company is exposed to credit loss in the event of nonperformance by the commercial bank counterparties to the interest rate swap agreements. However, the Company does not anticipate nonperformance by the counterparties. The fair value of the interest rate swap agreements at December 31, 1992 and March 4, 1993 was $9.7 million and $20.8 million, respectively, representing the estimated amount that the Company would receive if the interest rate swap agreements were terminated at such dates.

On July 23, 1992, the Issuers, as borrowers (the "Borrowers"), entered into a new five-year bank credit agreement (the "Credit Agreement") providing for a $400 million revolving credit/letter of credit facility. The new bank financing replaced a credit facility formerly provided by G Industries. Borrowings under the Credit Agreement bear interest at a floating rate (4.57% on December 31, 1992) based on the banks' base rate, federal funds rate, Eurodollar rate, CD rate or a competitive bid rate (which may be based on LIBOR or money market rates), at the option of the Company. All of the Borrowers' obligations under the Credit Agreement are guaranteed by the Company and its other domestic subsidiaries.

The Credit Agreement permits the Borrowers to make loans to affiliates and to make available letters of credit for the benefit of affiliates in an aggregate amount up to $50 million. As of December 31, 1992, $25.8 million of such amount had been utilized in the form of letters of credit.

The Credit Agreement contains covenants which require the Company to maintain (i) minimum interest coverage ratios, (ii) maximum leverage ratios, and (iii) a minimum net worth. In addition, the Credit Agreement contains additional affirmative and negative covenants, including restrictions on permitted indebtedness, investments, liens, dividends, and other payments or distributions to, or other transactions with, affiliates of the Company, and restrictions on mergers and transfers of all or substantially all of the assets of the Company or its subsidiaries. The Credit Agreement also provides for a default if there is a change in control (as defined) of the Company. A default with respect to the covenants under the Credit Agreement could result in the obligations under the Credit Agreement being accelerated.

The Indenture governing the 9% Notes contains affirmative and negative covenants, including restrictions on permitted indebtedness, investments in and loans to affiliates, dividends and other distributions with respect to, or redemptions or acquisitions of, capital stock of the Company and its subsidiaries, permitted sale and lease-back transactions and asset dispositions and mergers. A default under the covenants in such Indenture could result in the acceleration of the 9% Notes.

The Company called for redemption on July 17, 1992 all of the remaining 11⅞% Senior Subordinated Notes ($6.7 million aggregate principal amount) at a redemption price of 100% of the principal amount, and 10⅞% Senior Subordinated Notes ($13.7 million aggregate principal amount) at a redemption price of 102.626% of the principal amount, together, in each case, with all accrued and unpaid interest to the redemption date.

The aggregate maturities of long-term debt as of December 31, 1992 for the next five years are as follows:

(Thousands)	
1993	$ 570
1994	570
1995	600
1996	600
1997	253,100

In the above table, 1997 maturities include the $252.5 million of borrowings outstanding under the revolving credit facility as of December 31, 1992, based on the expiration of the Credit Agreement in July 1997.

Note 7

Benefit Plans

Eligible, full-time employees of the Company are covered by various benefit plans, as described below.

Defined Contribution Plan

The Company provides a defined contribution plan for eligible salaried employees. The Company contributes 3% of participants' compensation, plus matching contributions up to an additional 4% of compensation for participants who make voluntary contributions. Each participant is fully vested at all times in the balance of his account. The aggregate contributions made by the

Company to the plan and charged to operations were $3,352,000 for the year 1992, $2,941,000 for the year 1991, and $2,770,000 for the year 1990.

Beginning in 1993, the Company will also contribute fixed amounts, ranging from $50 to $750 per year depending on age, to the accounts of participants who are not covered by a Company-provided postretirement medical benefit plan.

Defined Benefit Plans

The Company provides a noncontributory defined benefit retirement plan for hourly employees (the "Hourly Retirement Plan"). Benefits under this plan are based on stated amounts for each year of service. The Company's funding policy is consistent with the minimum funding requirements of ERISA, plus any additional amounts which the Company may determine to be appropriate.

The Company's net periodic pension cost for the Hourly Retirement Plan included the following components:

	Year Ended December 31,		
(Thousands)	1992	1991	1990
Service cost	$ 559	$ 574	$ 579
Interest cost	986	828	708
Less: Expected return on plan assets	(621)	(450)	(367)
Net deferral and amortization of unrecognized prior service cost	95	72	109
Net periodic pension cost	$1,019	$1,024	$1,029

The following table sets forth the funded status of the Hourly Retirement Plan:

	December 31,	
(Thousands)	1992	1991
Accumulated benefit obligation:		
Vested	$11,400	$ 8,994
Nonvested	1,990	1,850
Total accumulated benefit obligation	$13,390	$10,844
Projected benefit obligation	$13,390	$10,844
Fair value of plan assets, primarily listed stocks and U.S. Government securities	(7,341)	(6,381)
Projected benefit obligation in excess of plan assets	6,049	4,463
Unrecognized prior service cost	(1,630)	(1,210)
Unrecognized net loss	(1,839)	(168)
Unfunded accrued pension cost	$ 2,580	$ 3,085

The difference of $3,469,000 between the projected benefit obligation in excess of plan assets and the unfunded accrued pension cost as of December 31, 1992 has been recorded by the Company as an unfunded liability, offset by an intangible asset of $1,630,000 and a reduction of stockholders' equity of $1,839,000. In accordance with SFAS No. 87, "Employers' Accounting for Pensions", the foregoing amounts will be amortized to expense over a period of approximately 15 years, as the Company continues to fund the benefits under the Hourly Retirement Plan, thereby eliminating the unfunded liability, the intangible asset, and the reduction of stockholders' equity.

In determining the projected benefit obligation, the weighted average assumed discount rate was 8.5% and 8.75% for 1992 and 1991, respectively. The expected long-term rate of return on assets used in determining net periodic pension cost was 9% for 1992 and 1991.

The Company also provides a nonqualified defined benefit retirement plan for the benefit of certain key employees. Expense accrued by the Company for future obligations under this plan was $301,000 for the year 1992, $442,000 for the year 1991, and $367,000 for the year 1990. Employees who participate in this plan are not entitled to have employer contributions made to their account under the defined contribution plan.

Other Benefit Plans

GAF maintained an Equity Appreciation Plan, which was terminated upon completion of the initial public offering. As a result, the Company's 1991 results reflect a one-time charge of $3.8 million (included in "Selling, general and administrative" expense), representing the Company's portion of the costs in connection with the plan termination.

Postretirement Medical and Life Insurance

In addition to providing pension benefits, the Company presently provides certain medical and life insurance benefits for all retirees who were formerly hourly employees and for certain retirees who were formerly salaried employees. Current hourly employees may become eligible for benefits if they reach retirement age while working for the Company.

During 1992, the postretirement medical and life insurance plans for salaried employees were terminated, with certain exceptions for salaried employees over age 55 with 10 years of service. Current retirees who were formerly salaried employees will maintain life insurance coverage and receive a Company subsidy of up to $800 per year towards medical coverage, with certain exceptions.

Effective January 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Under SFAS No. 106, the Company is required to accrue the estimated cost of retiree benefits, other than pensions, during covered employees' active service periods. The Company previously charged the cost of these benefits to expense as the benefits were paid.

The new accounting standard has no effect on the Company's cash disbursements for retiree medical and life insurance benefits, as the Company funds these benefits as they become payable. Adoption of SFAS No. 106 will not have a material effect on the Company's annual net income.

The cumulative effect as of January 1, 1992 of adopting SFAS No. 106 was a one-time, non-cash charge against earnings of $7.1 million ($.07 per share), after the related income tax benefit of $3.9 million.

The following table reconciles the plan's funded status to the accrued postretirement health care cost liability as reflected on the Consolidated Balance Sheet as of December 31, 1992. Both the accumulated postretirement benefit obligation and the 1992 net periodic postretirement benefit cost shown below reflect the new plan provisions for current retirees who were formerly salaried employees.

(Thousands)

Accumulated postretirement benefit obligation:	
Retirees, dependents, and beneficiaries eligible for benefits	$ 8,625
Active employees fully eligible for benefits	1,077
Active employees not fully eligible for benefits	1,388
Total accumulated postretirement benefit obligation	11,090
Fair value of plan assets	—
Accrued postretirement benefit liability	$11,090

Net periodic postretirement benefit cost for the year 1992 included the following components:

(Thousands)

Service cost	$ 133
Interest cost	915
Net periodic postretirement benefit cost	$ 1,048

For purposes of calculating the accumulated postretirement benefit obligation, the following assumptions were made. Retirees who were formerly salaried employees (with certain exceptions) were assumed to receive a Company subsidy of $800 per year. With respect to retirees who were formerly hourly employees, most such retirees are subject to a $5,000 per person lifetime maximum benefit. Subject to such lifetime maximum, a 17% and 11% annual rate of increase in the Company's per capita cost of providing postretirement medical benefits was assumed for 1993 for such retirees over and under age 65, respectively. To the extent that the lifetime maximum benefits have not been reached, the foregoing rates were assumed to decrease gradually to 7% and 6%, respectively, by the year 2003 and remain at that level thereafter.

The health care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1992 by $388,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year 1992 by $46,000. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5%.

Note 8

Stock Option Plan

The 1991 Incentive Plan for Key Employees (the "1991 Incentive Plan") authorizes the grant of options to purchase a maximum of 3,000,000 shares of the Company's common stock. Options may be either options intended to be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code ("Code") or "nonqualified" stock options for purposes of the Code. The exercise price of options granted must be at least equal to the Fair Market Value (as defined in the 1991 Incentive Plan) of such shares on the date of grant. Options may not be exercised during the first year after the date of grant. Thereafter, each option becomes exercisable as to 20%, 40%, 60%, 80% and 100% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant. Special vesting rules apply to options granted to non-employee directors.

Notwithstanding any other provision of the 1991 Incentive Plan, the Compensation and Pension Committee of the Board of Directors may prohibit the exercise of any or all options to purchase shares of common stock if it pays the option holder an amount equal to the difference between the aggregate Fair Market Value of the shares subject to such options and the aggregate option price. Such amount shall be paid in cash or any combination of cash and common stock at the election of the Compensation and Pension Committee.

The following is a summary of transactions pertaining to the 1991 Incentive Plan:

(Number of Shares)	1992	1991
Outstanding January 1	836,248	—
Granted	1,064,322	836,248
Exercised	—	—
Terminated	(16,921)	—
Outstanding December 31	1,883,649	836,248
At December 31:		
Exercisable	164,238	—
Available for grant	1,116,351	2,163,752
Option Price Range Per Share:		
Outstanding	$11.625–$14.00	$12.25

Note 9

Related Party Transactions

The Company sells mineral products to GAF Building Materials Corporation, a subsidiary of G Industries ("Building Materials") under a contract expiring December 31, 1993. Such sales by the Company totaled $41.4 million, $30.7 million and $30.3 million for the years 1992, 1991 and 1990, respectively. The amount receivable from Building Materials for such sales at December 31, 1992 was $3.6 million, while there was no receivable from Building Materials for such sales at December 31, 1991.

The Company provides general management, financial, legal, computer, administrative and facilities services to Building Materials and GAF Broadcasting Company, Inc., a subsidiary of G Industries ("Broadcasting"). Prior to 1991, amounts charged by the Company to Building Materials and Broadcasting for such services were based on the operating income of the Company in each year relative to the operating income of Building Materials and Broadcasting, and represented, in the opinion of management, a fair reflection of the costs of providing such services.

In 1991, the Company entered into a three-year Management Agreement covering 1991–1993, pursuant to which the Company agreed to provide such services to Building Materials and Broadcasting for annual management fees of $4.2 million and $139,000, respectively. Such fees increase by 5% per year and can be adjusted in certain limited circumstances, including the occurrence of a substantial change in the scope or nature of Building Materials' or Broadcasting's business. Charges by the Company for providing such services aggregated $4.5 million for the year 1992, $4.3 million for the year 1991, and $4.5 million for the year 1990, and are reflected as reductions of "Selling, general and administrative" expense. In the event that the Company or its employees provide services to any of its other affiliates substantially greater than those provided in the past, such affiliate will reimburse the Company for the costs of providing such services.

In addition, the Management Agreement provides that the parties may pay certain of each other's expenses for their mutual administrative convenience until such time as such expenses can be directly billed or charged to the party which incurred them, so long as each party which incurs such expenses promptly reimburses the party which pays the costs thereof.

See Note 3 for a discussion of the Tax Sharing Agreement.

Under the terms of its revolving credit facility, the Company or any of its subsidiaries may in its discretion (but shall not be obligated to) make loans to affiliates, and provide letters of credit issued for the benefit of such affiliates, up to an aggregate amount not to exceed $50 million outstanding at any time (see Note 6).

The Company and its subsidiaries also borrow from G Industries from time to time at the same rates available to the Company under its revolving credit facility. Such borrowings outstanding at December 31, 1992 totaled $20.5 million.

Note 10

Investment in Joint Venture

Financial data presented below pertain to GAF-Hüls Chemie GmbH ("GAF-Hüls"), a joint venture between the Company and Hüls Aktiengesellschaft, which operates a chemical manufacturing plant in Germany.

The results of this joint venture are accounted for by the equity method. As of December 31, 1992, $6 million of the Company's retained earnings represented undistributed earnings of GAF-Hüls.

	Year Ended December 31,		
(Thousands)	1992	1991	1990
Income Statement data:			
Revenues: From the Company	$ 10,541	$ 14,895	$ 22,256
From others	88,886	89,326	99,020
Total revenues	99,427	104,221	121,276
Costs and expenses	75,517	78,611	79,440
Operating income	$ 23,910	$ 25,610	$ 41,836
Net income of GAF-Hüls	$ 11,045	$ 16,621	$ 19,530
Equity of the Company in earnings of GAF-Hüls	$ 5,996	$ 7,894	$ 9,684
Cash Flow data:			
Cash provided by operating activities:			
Net income	$ 11,045	$ 16,621	$ 19,530
Depreciation/amortization	5,375	4,389	4,977
Working capital changes	6,637	3,028	(4,500)
Other, net	(1,709)	(140)	2,076
Total	21,348	23,898	22,083
Cash used in investing activities:			
Capital expenditures	(2,861)	(576)	(3,385)
Cash used in financing activities:			
Dividends paid	(14,318)	(22,788)	(23,461)
Other, net	(1,677)	(361)	1,876
Total	(15,995)	(23,149)	(21,585)
Net change in cash and cash equivalents	$ 2,492	$ 173	$ (2,887)
Dividends received by the Company from GAF-Hüls	$ 7,158	$ 11,403	$ 11,730

	December 31,		
	1992	1991	1990
Balance Sheet data:			
Current assets	$ 51,047	$ 53,611	$ 57,420
Noncurrent assets	51,274	57,137	61,043
Total Assets	$102,321	$110,748	$118,463
Current liabilities	$ 11,460	$ 9,879	$ 33,080
Noncurrent liabilities	14,634	16,357	16,916
Total Liabilities	$ 26,094	$ 26,236	$ 49,996
Net assets of GAF-Hüls	$ 76,227	$ 84,512	$ 68,467
Equity of the Company in net assets of GAF-Hüls	$ 37,938	$ 41,588	$ 34,003

Note 11

Business Segment Information

(Millions)	1992	1991	1990
		Year Ended December 31,	
Net sales:			
Specialty Derivative Chemicals	$ 435.5	$ 411.4	$ 396.8
Mineral Products	101.9	85.4	82.6
Other	33.4	29.0	32.3
Net sales	$ 570.8	$ 525.8	$ 511.7
Operating income:			
Specialty Derivative Chemicals	$ 78.1	$ 99.0	$ 93.2
Mineral Products	27.6	20.7	19.2
Other	2.0	2.2	4.4
Total operating income	$ 107.7	$ 121.9	$ 116.8
Identifiable assets:			
Specialty Derivative Chemicals	$1,008.1	$ 963.6	$ 950.3
Mineral Products	164.6	161.6	166.7
Other	97.7	26.0	23.6
Total assets	$1,270.4	$1,151.2	$1,140.6
Capital expenditures and acquisitions:			
Specialty Derivative Chemicals	$ 63.0	$ 29.7	$ 30.1
Mineral Products	7.4	4.5	4.1
Other	0.1	0.2	1.4
Total	$ 70.5	$ 34.4	$ 35.6
Depreciation:			
Specialty Derivative Chemicals	$ 19.7	$ 17.9	$ 17.5
Mineral Products	5.5	4.9	4.6
Other	0.4	0.4	0.2
Total	$ 25.6	$ 23.2	$ 22.3

Note 12

Geographic Information

Results set forth below for foreign operations represent sales and operating income of foreign-based subsidiaries.

(Millions)	1992	1991	1990
	Year Ended December 31,		
Net sales:			
Domestic operations*	$ 304.5	$ 278.0	$ 266.5
Europe**	188.1	173.9	174.2
Other foreign operations	78.2	73.9	71.0
Net sales	$ 570.8	$ 525.8	$ 511.7
Operating income:			
Domestic operations	$ 52.1	$ 63.8	$ 50.9
Europe	43.6	44.6	48.2
Other foreign operations	12.0	13.5	17.7
Operating income	107.7	121.9	116.8
Equity in earnings of joint venture	6.0	7.9	9.7
Interest expense and other, net	(27.9)	(54.1)	(84.5)
Income before income taxes and cumulative effect of accounting change	$ 85.8	$ 75.7	$ 42.0
Identifiable assets:			
Domestic operations	$1,112.4	$ 998.6	$ 995.6
Europe***	125.6	125.4	112.9
Other foreign operations	32.4	27.2	32.1
Total assets	$1,270.4	$1,151.2	$1,140.6

**Net Sales–Domestic Operations excludes sales by the Company's domestic subsidiaries to foreign-based affiliates of $118.5 million for the year 1992, $107.9 million for the year 1991, and $88.8 million for the year 1990.*

***Net Sales–Europe excludes sales by the Company's European subsidiaries to domestic and other foreign-based affiliates of $13.1 million for the year 1992, $13.6 million for the year 1991, and $12.2 million for the year 1990.*

****Identifiable Assets–Europe include the Company's 50% ownership of GAF-Hüls.*

Note 13

Guarantor Financial Data (for the Issuers and the Subsidiary Guarantors)

As described in Note 6, the 9% Notes are guaranteed by the Company and the Subsidiary Guarantors. Presented below is combined condensed financial information for the Issuers and the Subsidiary Guarantors, which together are interdependent and with their subsidiaries constituted all of the domestic subsidiaries of the Company as of December 31, 1992. Financial information for the Company's foreign subsidiaries, including its investment in GAF-Hüls, is reflected in the following financial information by the equity method of accounting.

Combined Condensed Statements of Income

For the Issuers and the Subsidiary Guarantors

	Year Ended December 31,		
(Millions)	1992	1991	1990
Net sales	$423.0	$385.9	$355.3
Costs and expenses:			
Cost of products sold	274.4	235.0	223.7
Selling, general and administrative	82.8	73.3	66.9
Goodwill amortization	13.7	13.8	13.8
Total costs and expenses	370.9	322.1	304.4
Operating income	52.1	63.8	50.9
Interest expense	(30.1)	(52.0)	(83.1)
Equity in income from foreign subsidiaries and 50% owned joint venture	41.3	49.3	50.4
Other income, net	15.7	7.1	9.4
Income before income taxes and cumulative effect of accounting change	79.0	68.2	27.6
Income tax (provision) benefit	(21.8)	(17.6)	3.0
Income before cumulative effect of accounting change	57.2	50.6	30.6
Cumulative effect of change in accounting for postretirement benefits other than pensions, net of related income tax benefit	(7.1)	—	—
Net income	$ 50.1	$ 50.6	$ 30.6

Combined Condensed Balance Sheets

For the Issuers and the Subsidiary Guarantors

(Millions)	December 31, 1992	December 31, 1991
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	$ 70.7	$ 0.1
Accounts receivable, net	31.8	28.4
Inventories	66.7	62.6
Other current assets	10.5	10.0
Receivables from related parties, net	8.2	5.2
Total Current Assets	187.9	106.3
Property, plant and equipment, net	427.2	396.7
Excess of cost over net assets of businesses acquired, net	470.9	484.6
Advances to and equity in investment in foreign subsidiaries and 50% owned joint venture	134.6	122.9
Other assets	26.4	11.0
Total Assets	$1,247.0	$1,121.5
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 0.6	$ 19.3
Loan payable to related party	20.5	—
Accounts payable	24.8	27.2
Accrued liabilities	28.1	30.8
Income taxes	9.5	—
Total Current Liabilities	83.5	77.3
Long-term debt less current maturities	493.0	413.7
Deferred income taxes	102.5	99.6
Other liabilities	51.0	47.1
Stockholders' Equity	517.0	483.8
Total Liabilities and Stockholders' Equity	$1,247.0	$1,121.5

Combined Condensed Statements of Cash Flows

For the Issuers and the Subsidiary Guarantors

(Millions)	Year Ended December 31, 1992	1991	1990
Cash and short-term investments, beginning of year	$ 0.1	$ 5.0	$ 5.0
Cash provided by operating activities:			
Net income	50.1	50.6	30.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	23.9	22.0	20.8
Goodwill amortization	13.7	13.8	13.8
Cumulative effect of accounting change	7.1	—	—
Deferred income taxes	6.8	2.5	2.0
(Increase) decrease in working capital items	(7.4)	(8.3)	(0.6)
Change in advances to and equity in investment in foreign subsidiaries and 50% owned joint venture	(11.7)	(27.1)	(7.5)
(Increase) decrease in receivables from related parties	(3.0)	(1.7)	3.5
Change in cumulative translation adjustment	(10.2)	(0.2)	11.6
Other, net	(6.4)	(13.0)	(4.2)
Net cash provided by operating activities	62.9	38.6	70.0
Cash used in investing activities:			
Capital expenditures and acquisitions	(61.4)	(30.7)	(33.7)
Cash provided by (used in) financing activities:			
Proceeds from initial public offering	—	281.3	—
Increase (decrease) in long-term debt, net	60.5	(291.7)	(5.0)
Loan from related party	20.5	—	—
Financing fees and expenses	(6.9)	—	—
Dividends and distributions	(5.0)	(27.6)	(31.3)
Capital contribution by GCC	—	25.2	—
Net cash provided by (used in) financing activities	69.1	(12.8)	(36.3)
Net change in cash and short-term investments	70.6	(4.9)	—
Cash and short-term investments, end of year	$ 70.7	$ 0.1	$ 5.0

The advances to and equity in investment in foreign subsidiaries and 50% owned joint venture and the related equity in income from foreign subsidiaries and 50% owned joint venture include the net assets and operating results, respectively, of the Company's wholly owned foreign subsidiaries and its 50% owned joint venture, GAF-Hüls (see Note 10). Domestic operating income includes $24.1 million, $28.9 million and $21.7 million of profits on sales made by the Company's domestic subsidiaries to its foreign-based subsidiaries for the years 1992, 1991 and 1990, respectively. Profits earned on sales to the foreign-based subsidiaries which were included in the foreign-based subsidiaries' inventories at the end of each period have been eliminated from domestic operating income and from advances to and equity in investment in foreign subsidiaries.

Dividends received from foreign-based subsidiaries and GAF-Hüls aggregated $36.1 million, $40.1 million and $43.0 million for the years 1992, 1991 and 1990, respectively.

Note 14

Acquisition

On March 31, 1992, the Company acquired the Van Dyk worldwide personal care business ("Van Dyk"). Van Dyk is a leading producer of ultraviolet absorber chemicals, pearlescent pigments, emollients and emulsifiers. The acquisition was financed from bank borrowings and was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the estimated fair values of the identifiable net assets acquired. The results of Van Dyk, including sales of $22.5 million, are included in the Consolidated Statement of Income from the date of acquisition; the effect was not material to consolidated operations in 1992.

Note 15

Commitments and Contingencies

GAF, G-I Holdings, G Industries and GCC are presently dependent upon the earnings and cash flow of their subsidiaries (including the Company) in order to satisfy obligations as of December 31, 1992 in the amount of $323.3 million principal amount of 12.875% debentures on which interest is payable in the form of additional debentures through March 1994, after which interest must be paid in cash, approximately $102 million of various other liabilities, the asbestos-related claims discussed below and certain potential tax liabilities discussed in Note 3. In the event that such parent corporations were unable to meet their cash needs from sources other than the Company, they might take various actions, including, among other things, seeking to cause the Company to make distributions to stockholders by means of dividends or otherwise or to make loans to parent corporations, or to cause GCC to sell shares of the Company's common stock. The Company does not believe that the dependence of its parent corporations on the cash flows of their subsidiaries should have a material adverse effect on the operations, liquidity or capital resources of the Company.

Asbestos Litigation Against GAF. GAF has advised the Company that GAF has been named as a co-defendant in approximately 63,000 pending lawsuits involving alleged health claims relating to the inhalation of asbestos fiber, having resolved approximately 112,000 other lawsuits involving similar claims. GAF has also advised the Company that GAF has been named as a co-defendant in approximately 30 pending lawsuits alleging economic and property damage or other injuries in schools or public and private buildings caused, in whole or in part, by what is claimed to be the present or future need to remove asbestos material from these premises.

GAF has also advised the Company that, assuming the Settlement described below is approved and becomes effective, it estimates that GAF's total liability (net of estimated recoveries from products liability insurance policies and reserves previously established) in connection with all pending asbestos-related bodily injury claims, and all future asbestos-related bodily injury claims anticipated to be resolved over the first ten years of the Settlement, will be approximately $200 million after taxes, and GAF has advised the Company that it has made appropriate provisions in its 1992 financial statements relating thereto. Payment in connection with this liability would be made over the next ten years. While GAF is unable to estimate the amount of liability with respect to claims to be resolved after such period, it believes that it will resolve, by the end of such period, substantially all of the court cases currently pending against it, and that it will further resolve substantially all of the claims filed under the Settlement over the initial ten-year period on a relatively current basis, so that the number of claims pending against it at the end of such period will be substantially diminished from current levels; as a result of these and other factors, GAF believes that the resolution of any claims after such ten-year period will not have a material adverse effect on its financial position. GAF's estimate of asbestos-related liabilities is based on assumptions which relate, among other things, to the number of new cases filed, the cost of resolving (either by settlement or litigation or through the mechanism established by the Settlement) pending and future claims, the realization of related tax benefits, the resolution of certain pending litigation against certain insurance companies and the amount of GAF's recoveries from various insurance companies.

On January 15, 1993, GAF entered into, together with other members of the Center for Claims Resolution (a non-profit organization of asbestos defendant companies (the "CCR")), a class-action settlement agreement (the "Settlement") to resolve all future asbestos bodily injury claims (other than claims of those persons who "opt out" of the class) against GAF and other members of the CCR. The class action was filed with the United States District Court in Philadelphia and the Settlement is subject to certain conditions, including that Court's approval and the favorable outcome of certain litigation relating to the Settlement commenced by the members of the CCR against products liability insurers.

Of the approximately 63,000 pending bodily injury cases, approximately 9,700 cases are pending in a Maryland state court; 8,555 of these Maryland cases were consolidated before a single judge for trial of certain alleged "common issues." Trial of the alleged "common issues" and the simultaneous trial of six individual cases concluded in August 1992. The jury's verdict, in substance, found GAF liable on the "common issues" of negligence and strict liability for certain years and certain periods and for punitive damages as to certain periods equal to 2.5 times GAF's share, if any, of the compensatory damages payable to plaintiffs in each action, and found GAF liable for compensatory and punitive damages in one of the six individual cases. The remaining cases pending in the Maryland court will be decided in a series of mini-trials, which are expected to occur over a lengthy period of time commencing March 1993. The Maryland trial court has indicated that the jury's verdicts at the consolidated trial on the alleged "common issues," which determined liability in negligence and strict liability, liability for punitive damages, and the multiplier of 2.5 to be used in calculating punitive damages against GAF, will be binding on GAF at the mini-trials.

GAF has advised the Company that, assuming the correctness of the assumptions referred to above, about which there can be no assurance, GAF believes that its reserves, including the additional reserve referred to above, adequately reflect its actual asbestos-related liabilities. GAF has also advised the Company that, although any opinion is necessarily judgmental and must be based on information currently known, it is the opinion of GAF's management, based on the assumptions referred to above and its analysis of GAF's future business, financial prospects and cash flows, that, after giving effect to the aforementioned reserves, asbestos-related claims will not have a materially adverse effect on GAF's financial position and will not impair the ability of GAF to meet its obligations, to reinvest in its businesses or to take advantage of attractive opportunities for growth.

Neither the Company nor the assets or operations of the Company, which was operated as a division of a corporate predecessor of GAF prior to July 1986, have been employed in the manufacture or sale of asbestos products. The Company believes that it should have no legal responsibility for damages in connection with asbestos-related claims, but the Company cannot predict whether any such claims will be asserted against it or the outcome of any litigation related to such claims. In addition, should GAF be unable to satisfy judgments against it in asbestos-related lawsuits, its judgment creditors might seek to enforce their judgments against the assets of GAF, including its indirect holdings of common stock of the Company, and such enforcement could result in a change of control of the Company.

Legal Proceedings. The Company has certain liabilities under New Jersey statutes and regulations relating to the closing of its plant in Linden, New Jersey (the "Linden Site"). In June 1989, the Company entered into an Administrative Consent Order (the "ACO") with the New Jersey Department of Environmental Protection and Energy ("NJDEPE") under the New Jersey Spill Compensation and Control Act, among other New Jersey laws, which requires the Company to develop a remediation plan for the Linden Site.

Pursuant to the ACO, the Company posted letters of credit aggregating $7.5 million to cover the anticipated costs of remediation; however, there can be no assurance as to the actual costs that will be incurred in connection with such remediation. The Company is in the process of completing its analysis of remedial work required by the ACO at the Linden Site.

The Company is a party to a variety of proceedings and lawsuits involving environmental matters, including being named as defendant, respondent or a potentially responsible party, together with other companies, under the Comprehensive Environmental Response Compensation and Liability Act and similar state laws, in which recovery is sought for the cost of cleanup of contaminated waste disposal sites. Many of these proceedings and lawsuits are in the early stages and, due to the practices of waste disposal haulers and disposal facilities prior to adoption and implementation of the environmental laws and regulations, evidence is difficult to obtain or evaluate. The Company is seeking dismissal of a number of the lawsuits and proceedings on the ground that there appears to be no substantial evidence of the Company's responsibility for any hazardous waste present at certain of the sites in question. At each site, the Company anticipates, although there can be no assurance, that liability, if any, will eventually be apportioned among the companies found to be responsible for the presence of hazardous waste at the site.

The Company has reached agreements with its comprehensive general liability insurers pursuant to which certain insurers pay, under a reservation of rights, costs of the Company in defending certain of these administrative proceedings and lawsuits, and reimburse the Company for a substantial portion of its liabilities. The Company believes that the amount of insurance available under the policies pursuant to which the expenses and liabilities are being paid will be sufficient to cover the Company's defense costs and that portion of the Company's estimated liabilities agreed to be paid by such insurers. The Company has established a reserve to cover its estimate of the uninsured portion of costs in connection with these administrative proceedings and lawsuits.

Based on facts presently available, it is not possible to predict the eventual cost to the Company of the foregoing matters; however, the Company currently estimates that its liability in respect of such matters will be approximately $12.1 million after a reduction for anticipated insurance recovery. In the opinion of management, these matters should be resolved and such amounts paid gradually over a period of years and, accordingly, the resolution of such matters should not be material to the business or financial position of the Company.

Based upon information presently available, management estimates that capital expenditures in 1993 necessary in order to maintain the Company's compliance with environmental laws and regulations will be approximately $5.2 million. The Company believes that its manufacturing facilities are being operated in compliance in all material respects with applicable environmental, health and safety laws and regulations but cannot predict whether more burdensome requirements will be imposed by governmental authorities in the future.

Lease Commitments. The Company has operating leases for transportation, production and data processing equipment and for various buildings. Future minimum lease payments for properties which were held under long-term noncancelable leases as of December 31, 1992 were as follows:

(Thousands)	
1993	$2,230
1994	2,136
1995	1,602
1996	1,038
1997	671
Later years	175
Total minimum payments	$7,852

Other Commitment. The Company has announced plans to construct a specialty chemicals manufacturing complex in Ghlin-Baudour, Belgium. The facility, which will be developed in several stages over the next four years, is scheduled to begin operations in early 1995. Upon completion of all phases the net cost of the project to the Company is expected to be in excess of $100 million. The Company anticipates spending approximately $25 million in 1993 for the new facility. The Company anticipates utilizing internally generated funds and/or additional borrowings to finance the project.

To International Specialty Products Inc.:

We have audited the accompanying consolidated balance sheets of International Specialty Products Inc. (a Delaware corporation and an 80.6% owned subsidiary of GAF Chemicals Corporation) and subsidiaries as of December 31, 1991 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Specialty Products Inc. and subsidiaries as of December 31, 1991 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Notes 3 and 7 to the consolidated financial statements, the Company has changed its methods of accounting for income taxes and postretirement benefits other than pensions.

Arthur Andersen & Co.

Arthur Andersen & Co.
Roseland, New Jersey
March 4, 1993

Supplementary Data (unaudited)

Quarterly Financial Data (unaudited)

(Millions, except per share amounts)	1992 By Quarter*				1991 By Quarter*			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	$142.1	$151.8	$142.3	$134.6	$138.7	$136.2	$128.5	$122.4
Cost of products sold	79.4	83.4	75.5	86.6	74.2	71.2	65.7	68.6
Gross profit	$ 62.7	$ 68.4	$ 66.8	$ 48.0	$ 64.5	$ 65.0	$ 62.8	$ 53.8
Operating income	$ 31.3	$ 34.1	$ 31.6	$ 10.7	$ 35.4	$ 34.6	$ 27.9	$ 24.0
Income before income taxes and cumulative effect of accounting change	$ 25.8	$ 28.0	$ 27.4	$ 4.6	$ 19.5	$ 21.9	$ 19.3	$ 15.0
Income taxes	(8.7)	(9.5)	(9.2)	(1.2)	(6.7)	(7.1)	(6.4)	(4.9)
Income before cumulative effect of accounting change	17.1	18.5	18.2	3.4	12.8	14.8	12.9	10.1
Cumulative effect of change in accounting for postretirement benefits other than pensions, net of related income tax benefit	(7.1)	—	—	—	—	—	—	—
Net income	$ 10.0	$ 18.5	$ 18.2	$ 3.4	$ 12.8	$ 14.8	$ 12.9	$ 10.1
Earnings per common share**:								
Income before cumulative effect of accounting change	$ .17	$ .19	$ .18	$ .03	$ .16	$ .18	$ .13	$ .10
Cumulative effect of accounting change	(.07)	—	—	—	—	—	—	—
Net income	$ .10	$ .19	$ .18	$ .03	$ .16	$ .18	$ .13	$ .10

Previously issued quarterly results have been restated to reflect the adoption of SFAS No. 106 and SFAS No. 109 (see Notes 2, 3 and 7). In addition, a one-time charge in the third quarter of 1991 of $3.8 million, representing the Company's portion of the costs associated with the termination by GAF of its Equity Appreciation Plan, has been reclassified as a deduction from operating income; and the Company's equity in the earnings of its GAF-Hüls joint venture has been reclassified from "Cost of products sold" to a separate line item in the Consolidated Statements of Income. Certain other amounts have been reclassified to conform to the 1992 presentation.

**In accordance with the provisions of APB Opinion No. 15, earnings per share are calculated separately for each quarter and the full year. Accordingly, annual earnings per share will not necessarily equal the total of the interim periods. Earnings per common share for the first and second quarters of 1991 were calculated based on the 80.5 million common shares outstanding prior to the initial public offering (see Note 1), while earnings per common share for subsequent periods were calculated based on the 99.9 million common shares outstanding thereafter.*

Market For Common Stock

The following information pertains to the Company's common stock, which is traded on the New York Stock Exchange, trading on which commenced on June 25, 1991. As of March 10, 1993, there were 420 holders of record of the Company's outstanding common stock.

(Dollars)	1992 By Quarter				1991 By Quarter			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Price Range of Common Stock:								
High	$15 7/8	$12 5/8	$13 3/4	$13 1/2	—	$15 7/8	$18	$16 1/8
Low	10 3/8	9 5/8	10 7/8	8 3/4	—	15 1/2	14	11 1/2
Cash Dividends Per Common Share	—	$.025	—	$.025	—	—	—	—

The Company currently pays a semi-annual dividend of 2.5 cents per share. The declaration and payment of dividends is at the discretion of the Board of Directors of the Company. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 6 of Notes to Consolidated Financial Statements for information regarding restrictions on the payment of dividends. The timing and amount of dividends paid is dependent upon, among other things, the Company's results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by the Board of Directors. Accordingly, there can be no assurance that the Board of Directors will declare and pay dividends or as to the amounts thereof.

Board of Directors

Thomas C. Bohrer
President and
Chief Operating Officer,
International Specialty
Products Inc.

Charles M. Diker
Chairman of the Board,
Cantel Industries Inc.

Carl R. Eckardt
Executive Vice President,
Corporate Development,
International Specialty
Products Inc.

Harrison J. Goldin
Partner,
Goldin Associates, L.P.

Samuel J. Heyman
Chairman of the Board and
Chief Executive Officer,
International Specialty
Products Inc.

Sanford Kaplan
Private Investor

Burton J. Manning
Chairman of the Board and
Chief Executive Officer,
J. Walter Thompson Company

Alan Z. Senter
Executive Vice President and
Chief Financial Officer,
International Specialty
Products Inc.

Barry P. Simon
Executive Vice President,
General Counsel and Secretary,
International Specialty
Products Inc.

Corporate Officers

Samuel J. Heyman
Chairman of the Board and
Chief Executive Officer

Thomas C. Bohrer
President and
Chief Operating Officer

Carl R. Eckardt
Executive Vice President,
Corporate Development

Alan Z. Senter
Executive Vice President
and Chief Financial Officer

Barry P. Simon
Executive Vice President,
General Counsel and Secretary

James J. Conway
Senior Vice President and
General Manager,
Specialty Chemicals

James J. Strupp
Senior Vice President,
Human Resources

Raymond W. Smith, Jr.
Vice President, Worldwide Sales

T. H. King
Vice President and
General Manager,
Mineral Products

Arthur Dresner
Vice President, Licensing
and Advanced Materials

Bruce Morra
Vice President, Filters

Jonathan H. Stern
Vice President and
Controller

Robert H. Steinfeld
Vice President, Taxes

James P. Rogers
Vice President and Treasurer

Mark A. Presto
Vice President and
Assistant Treasurer

EXHIBIT 22

EXHIBIT 22

International Specialty Products Inc.
- ISP Management Company, Inc.
- ISP Chemicals Inc.
  - ISP Van Dyk Inc.
  - ISP Fine Chemicals Inc.
  - ISP Newark Inc.
- ISP Investments Inc.
- ISP Minerals Inc.
- ISP Filters Inc.
- ISP Technologies Inc.
- ISP Mineral Products Inc.
- ISP Environmental Services Inc.
- Bluehall Incorporated
  - Verona Inc.
- ISP Realty Corporation
- ISP Real Estate Company, Inc.
- ISP Global Technologies, Inc.

EXHIBIT 24.1

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO. SC

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The consolidated balance sheets as of December 31, 1992 and 1991 and the consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992 together with the report of independent public accountants contained in the Company's Annual Report to Stockholders for the year ended December 31, 1992 are incorporated herein by reference.

Arthur Andersen & Co.

Roseland, New Jersey
March 30, 1993

EXHIBIT 24.2

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO. SC

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement File No. 33-54724.

Arthur Andersen & Co.

Roseland, New Jersey
March 30, 1993